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, 2016**

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:
270,869,561 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, 2016 (the " **AIF**")	99.7
Audited consolidated financial statements of the Company for the years ended December 31, 2016 and 2015, including the reports of the Independent Registered Public Accounting Firm with respect thereto	99.5
Management's Discussion and Analysis of the Company for the year ended December 31, 2016 (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:

- the outcome of our multi-dimensional strategy to address the United States Environmental Protection Agency's (the "EPA") pre-emptive regulatory process under Section 404(c) of the *Clean Water Act* (the "CWA") and our plans to prepare the Pebble Project (as hereinafter defined) to initiate federal and state permitting under the National Environmental Policy Act (the "NEPA") (the "Multi- dimensional Strategy");
- the outcome of the legal and direct discussion, including possible mediation proceedings that we are engaged in with the EPA and any future actions that may or may not be taken by the EPA;
- the outcome of any other legal proceedings in which we may be engaged;
- the impact of any change in the administration of the EPA resulting from the new federal administration in Washington, DC;
- our ability to proceed with applications for federal and state permitting under the CWA and the NEPA;
- our expectations regarding the potential for securing the necessary permitting of a mine at the Pebble Project;
- our expected financial performance in future periods;
- our plan of operations, including our plans to carry out and finance the Multi-dimensional Strategy activities, exploration and development activities;
- our ability to raise capital for the Multi-dimensional Strategy activities, exploration and development activities;
- our expectations regarding the exploration and development potential of the Pebble Project; and
- factors relating to our investment decisions.

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

- that we will be able to secure sufficient capital necessary for the Multi-dimensional Strategy activities, environmental assessment and permitting activities and engineering work which must be completed prior to any potential development of the Pebble Project which would then require engineering and financing in order to advance to ultimate construction;
- the outcome of litigation and discussions, including possible mediation with the EPA;
- we will ultimately have the opportunity to proceed with permit application preparations under the CWA and NEPA for the Pebble Project;
- that the Company will ultimately be able to demonstrate that a mine at the Pebble Project can be developed and operated in an environmentally sound and socially responsible manner, meeting all relevant federal, state and local regulatory requirements so that we will be ultimately able to obtain permits authorizing construction of a mine at the Pebble Project;
- that the market prices of copper, gold, molybdenum and silver will not decline significantly or stay depressed for a lengthy period of time;
- that key personnel will continue their employment with us; and
- that we will continue to be able to secure minimum 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:

- a negative outcome of the Multi-dimensional Strategy, including legal and political challenges with which we are engaged regarding the Pebble Project, which would have a material adverse effect on us;
- an inability to ultimately obtain permitting for a mine at the Pebble Project;

- an inability to continue to fund the Multi-dimensional Strategy, exploration and development activities and other operating costs;
- the highly cyclical and speculative nature of the mineral resource exploration business;
- the pre-development stage economic viability and technical uncertainties of the Pebble Project and the lack of known reserves on our Pebble Project;
- an inability to recover even the financial statement carrying values of the Pebble Project if we cease to continue on a going concern basis;
- the potential for loss of the services of key executive officers;
- history of, and expectation of further, financial losses from operations impacting our ability to continue on a going concern basis;
- inability to establish that the Pebble Project contains commercially viable deposits of ore;
- the volatility of gold, copper and molybdenum an silver prices;
- the inherent risk involved in the exploration, development and production of minerals and the presence of unknown geological and other physical and environmental hazards at the Pebble Project;
- the potential for changes in, or the introduction of new, government regulations relating to mining, including laws and regulations relating to the protection of the environment
- potential claims by third parties to titles or rights involving the Pebble Project;
- the unpredictability of the outcome of litigation;
- the possible inability to insure our operations against all risks;
- the highly competitive nature of the mining business;
- the potential dilution to current shareholders due to any future equity financings;
- the potential dilution to current shareholders from the exercise of share purchase options to purchase the Company's shares; and
- that we have never paid dividends and will not do so in the foreseeable future.

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, 2016 and 2015 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

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.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) for the Company.

The Company's management, with the participation of the CEO and CFO, assessed the effectiveness of the Company's ICFR as of December 31, 2016. In making the assessment, it used the criteria set forth in the Internal Control-Integrated Framework 2013 published 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, 2016.

Auditor's Attestation Report

The Company is presently an "emerging growth company" as defined in section 3(a) of the Exchange Act, and the Company will continue to qualify as an "emerging growth company" until the earliest of:

(a) the last day of the fiscal year during which the Company has total annual gross revenues of US$1,000,000,000 (as such amount is indexed for inflation every 5 years by the SEC) or more;

(b) the last day of the Company's fiscal year following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective registration statement under the Securities Act;

(c) the date on which the Company has, during the previous 3-year period, issued more than US$1,000,000,000 in non-convertible debt; or

(d) the date on which the Company is deemed to be a "large accelerated filer", as defined in Exchange Act Rule 12b–2.

Northern Dynasty expects to continue to be an emerging growth company until December 31, 2020.

Generally, a registrant that registers any class of its securities under section 12 of the Exchange Act is required to include in the second and all subsequent annual reports filed by it under the Exchange Act, a management report on internal control over financial reporting and, subject to an exemption available to registrants that are neither an "accelerated filer" or a "larger accelerated filer" (as those terms are defined in Exchange Act Rule 12b-2), an auditor attestation report on management's assessment of internal control over financial reporting. However, for so long as the Company continues to qualify as an emerging growth company, the Company will be exempt from the requirement to include an auditor attestation report in its annual reports filed under the Exchange Act, even if it were to qualify as an "accelerated filer" or a "larger accelerated filer". The Company was neither an "accelerated filer" nor a "larger accelerated filer" for fiscal 2016 (as determined on June 30, 2016, being the last day of the Company's second fiscal quarter). Based on the Company's current status as an "emerging growth company" and a "non-accelerated filer", management's report was not subject to attestation by the Company's registered public accounting firm and, accordingly, this Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

No Changes in Internal Control over Financial Reporting

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, 2016 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 Steven Decker, Christian Milau and Ken Pickering. 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. Christian Milau 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:

	2016	2015
Audit Fees	$ 122,000	$ 167,000
Audit-Related Fees	182,000	70,000
Tax Fees	–	–
All Other Fees	–	–
Total	**$ 304,000**	**$ 237,000**

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

Other than the contingent fee arrangement with the Company's legal counsel (discussed below), we have not entered into any other 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, 2016 with respect to our known contractual obligations:

Contractual obligation	**Total ('000)**	**Payments due by period**		
		Less than 1 Year	**1 – 3 years**	**3 – 5 years**
Long term debt obligations	$nil	$nil	$nil	$nil
Capital (finance) lease obligation	$nil	$nil	$nil	$nil
Operating lease obligations [1]	$695	$193	$379	$123
Purchase obligations	$nil	$nil	$nil	$nil
Other long term liabilities	$nil	$nil	$nil	$nil
Total	**$695**	**$193**	**$379**	**$123**

Notes

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 $1.3427 CDN / US dollar.

2. The Company, through the Pebble Partnership, is advancing its Multi-dimensional Strategy to address the EPA's pre-emptive regulatory action under Section 404(c) of the CWA, including through litigation against the EPA, contesting the EPA's statutory authority to act pre-emptively under the CWA, and alleging violation of FACA and the unlawful withholding of documentation under FOIA. The Company has a contingent liability for additional legal fees and costs that may be due to the Company's counsel should there be a successful outcome or settlement. However, the Company is unable to estimate or determine the length of time that each of the legal initiatives mentioned above will take to advance to specific milestone events or final conclusion. As at December 31, 2016, if there was a favourable outcome or settlement, the Company estimates there would potentially be additional legal fees of approximately $20.2 million (US$15.1 million at closing Bank of Canada rate on December 31, 2016, of $1.3427 CDN / US dollar) payable by the Company which would be payable in three equal tranches over three years.

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, 2016, 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, 2016.

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, 2016.

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 30, 2017.

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, 2016, and 2015, 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, 2016
99.7	Annual Information Form of the Company for the year ended December 31, 2016
99.8	Consent of Deloitte LLP, Independent Registered Public Accounting Firm
99.9	Consent of J. David Gaunt, P.Geo.
99.10	Consent of Stephen Hodgson, P.Eng.
99.11	Consent of James Lang, P.Geo.
99.12	Consent of Ting Lu, P.Eng.
99.13	Consent of Eric Titley, P.Geo.

EXHIBIT 99.1

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

I, Ronald W. Thiessen, certify that:

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

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

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

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

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

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

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

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

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

Date: March 30, 2017

By: /s/ *R. Thiessen*
Name: Ronald W. Thiessen
Title: Chief Executive Officer

EXHIBIT 99.2

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

I, Marchand Snyman, certify that:

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

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

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

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

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

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

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

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

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

Date: March 30, 2017

By: /s/ *M. Snyman*
Name: Marchand Snyman
Title: Chief Financial Officer

EXHIBIT 99.3

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, 2016** (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ *R. Thiessen*
Name: Ronald W. Thiessen
Title: Chief Executive Officer

Date: March 30, 2017

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 20-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 20-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.

EXHIBIT 99.4

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, 2016** (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

By: /s/ *M. Snyman*
Name: Marchand Snyman
Title: Chief Financial Officer

Date: March 30, 2017

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to the Company's Annual Report on Form 20-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 20-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, 2016 and 2015

(Expressed in thousands of Canadian Dollars)

Deloitte LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
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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. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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. 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. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 of the consolidated financial statements, the Company incurred a net loss of $26,982,000 and $33,829,000 during the years ended December 31, 2016 and 2015, respectively and had a deficit of $406,106,000 as at December 31, 2016. This condition, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 1 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

/s/ Deloitte LLP

Chartered Professional Accountants
March 30, 2017
Vancouver, Canada

Northern Dynasty Minerals Ltd.

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian Dollars)

	Notes	December 31 2016	December 31 2015
ASSETS			
Non-current assets			
Mineral property, plant and equipment	3	$ 142,472	$ 147,088
Total non-current assets		142,472	147,088
Current assets			
Available-for-sale financial assets	4	–	1,579
Amounts receivable and prepaid expenses	5	679	1,075
Restricted cash	6 (b)	–	453
Cash and cash equivalents	6 (a)	7,196	7,509
Total current assets		7,875	10,616
Total Assets		**$ 150,347**	**$ 157,704**
EQUITY			
Capital and reserves			
Share capital	7 (a)	$ 452,132	$ 435,069
Reserves		102,821	99,035
Deficit		(406,106)	(379,124)
Total Equity		148,847	154,980
LIABILITIES			
Current liabilities			
Payables to related parties	8	240	677
Trade and other payables	9	1,260	2,047
Total current liabilities		1,500	2,724
Total Liabilities		1,500	2,724
Total Equity and Liabilities		**$ 150,347**	**$ 157,704**

Commitments (note 14)
Events after the reporting date (note 15)

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

These consolidated financial statements are signed on the Company's behalf by:

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Christian Milau

Christian Milau
Director

Northern Dynasty Minerals Ltd.

Consolidated Statements of Comprehensive Loss

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

	Notes	Year ended December 31	
		2016	2015
Expenses			
Exploration and evaluation expenses	3, 11	$ 7,935	$ 8,718
General and administrative expenses	11	6,729	8,272
Legal, accounting and audit		9,442	17,001
Share-based compensation	7 (d)-(f)	2,995	903
Loss from operating activities		27,101	34,894
Foreign exchange (gain) loss		(43)	618
Interest income		(33)	(99)
Interest expense on loans	7 (b)	–	144
Other income		(11)	(214)
Amount receivable written off		15	–
Gain on sale of available-for-sale financial assets		(70)	–
Loss on sale of plant and equipment		23	–
Loss before tax		26,982	35,343
Deferred income tax recovery	12	–	(1,514)
Net loss		**$ 26,982**	**$ 33,829**
Other comprehensive loss (income)			
Items that may be subsequently reclassified to loss			
Foreign exchange translation difference	3, 7 (g)	4,246	(23,300)
Change in fair value of available-for-sale financial assets	4	–	113
Derecognition of available-for-sale financial assets	4	(105)	–
Other comprehensive loss (income)		**$ 4,141**	**$ (23,187)**
Total comprehensive loss		**$ 31,123**	**$ 10,642**
Basic and diluted loss per common share	10	$ 0.11	$ 0.23

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 **2016**	2015
Operating activities			
Net loss		$ (26,982)	$ (33,829)
Non-cash or non operating items			
Amount receivable written off		15	–
Deferred income tax recovery		–	(1,514)
Depreciation	3	205	279
Interest received on cash held		(33)	(99)
Interest expense on loans	7 (b)	–	144
Gain on sale of surplus site inventory		(11)	(173)
Gain on sale of available-for-sale financial assets		(70)	–
Loss on sale of plant and equipment		23	5
Share-based compensation		2,995	903
Unrealized exchange loss		68	–
Changes in working capital items			
Restricted cash		453	826
Amounts receivable and prepaid expenses		405	(8)
Trade and other payables		(645)	(4,374)
Payables to related parties		(437)	294
Net cash used in operating activities		(24,014)	(37,546)
Investing activities			
Acquisition of plant and equipment	3	–	(28)
Proceeds from sale of equipment	3	–	70
Proceeds from sale of available-for-sale financial assets	4	1,754	280
Proceeds from sale of surplus site inventory		11	173
Interest received on cash and cash equivalents		33	99
Net cash from investing activities		1,798	594
Financing activities			
Cash received on acquisitions net of transaction costs	7 (b)	–	12,347
Proceeds from prospectus unit financing net of transaction costs	7 (b)	16,030	–
Proceeds from private placement unit financing net of transaction costs	7 (b)	1,967	–
Proceeds from private placment of special warrants net of transaction costs	7 (b)	–	17,485
Proceeds from private placement of common shares net of transaction costs	7 (b)	–	5,166
Proceeds from the exercise of share purchase options and warrants	7 (c)	3,974	7
Net cash from financing activities		21,971	35,005
Net decrease in cash and cash equivalents		(245)	(1,947)
Effect of exchange rate fluctuations on cash and cash equivalents		(68)	9
Cash and cash equivalents - beginning balance		7,509	9,447
Cash and cash equivalents - ending balance	6 (a)	**$ 7,196**	**$ 7,509**

Supplementary cash flow information (note 6(a))

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

NorthernDynasty MineralsLtd.

Consolidated Statements of Changes in Equity

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

	Notes	Share capital		Reserves					
		Number of common shares (note 7(a))	Amount	Equity settled share-based compensation reserve	Foreign currency translation reserve (note 7(g))	Investment revaluation reserve	Share Purchase Warrants (note 7c))	Deficit	Total equity
Balance at January 1, 2015		95,009,864	$ 389,227	$ 55,294	$ 17,179	$ 6	$ 11,552	$ (345,295)	$ 127,963
Special warrants issued net of transaction costs	7 (c)	–	–	–	–	–	17,485	–	17,485
Conversion of special warrants into common shares	7 (c)	73,562,735	29,037	–	–	–	(29,037)	–	–
Common shares issued pursuant to a private placement, net of transaction costs	7 (b)	12,573,292	5,046	–	–	–	–	–	5,046
Common shares issued as referral fees relating to a private placement	7 (b)	300,000	120	–	–	–	–	–	120
Common shares issued for the acquisition of Cannon Point, net of transaction cost	7 (b)	12,881,344	4,062	–	–	–	–	–	4,062
Options and warrants issued for the acquisition of Cannon Point	7 (b)	–	–	–	–	–	217	–	217
Common shares issued for the acquisition of Mission Gold	7 (b)	27,593,341	7,564	–	–	–	–	–	7,564
Options and warrants issued pursuant to the acquisition of Mission Gold, net of transaction cost	7 (b)	–	–	–	–	–	2,255	–	2,255
Common shares issued upon exercise of share purchase options not under option plan	7 (c)	18,800	7	–	–	–	–	–	7
Fair value allocated to shares issued on options exercised	7 (c)	–	6	–	–	–	(6)	–	–
Share-based compensation	7 (d)	–	–	903	–	–	–	–	903
Net loss		–	–	–	–	–	–	(33,829)	(33,829)
Other comprehensive income (loss) net of tax		–	–	–	23,300	(113)	–	–	23,187
Total comprehensive loss									(10,642)
Balance at December 31, 2015		**221,939,376**	**$ 435,069**	**$ 56,197**	**$ 40,479**	**$ (107)**	**$ 2,466**	**$ (379,124)**	**$ 154,980**
Balance at January 1, 2016		221,939,376	$ 435,069	$ 56,197	$ 40,479	$ (107)	$ 2,466	$ (379,124)	$ 154,980
Common shares issued on exercise of share purchase options per option plan	7 (d)	548,869	503	–	–	–	–	–	503
Common shares issued upon exercise of share purchase options not issued per option plan	7 (c)	376,000	132	–	–	–	–	–	132
Common shares issued upon exercise of warrants	7 (c)	5,560,940	3,363	–	–	–	–	–	3,363
Fair value allocated to shares issued on options exercised per plan	7 (d)	–	266	(266)	–	–	–	–	–
Fair value allocated to shares issued on options exercised not under option plan	7 (c)	–	98	–	–	–	(98)	–	–
Fair value and costs allocated to share capital on exercise of warrants		–	1,090	–	–	–	(1,090)	–	–
Common Shares issued pursuant to prospectus financing, net of transaction costs	7 (b)	38,000,000	10,347	–	–	–	–	–	10,347
Warrants issued pursuant to prospectus financing, net of transaction costs	7 (b)	–	–	–	–	–	5,683	–	5,683
Common shares issued pursuant to private placement, net of transaction costs	7 (b)	4,444,376	1,264	–	–	–	–	–	1,264
Warrants issued pursuant to private placement, net of transaction costs	7 (b)	–	–	–	–	–	703	–	703
Share-based compensation	7 (d)-(f)	–	–	2,995	–	–	–	–	2,995
Net loss		–	–	–	–	–	–	(26,982)	(26,982)
Other comprehensive (loss) income net of tax		–	–	–	(4,246)	105	–	–	(4,141)
Total comprehensive loss									(31,123)
Balance at December 31, 2016		**270,869,561**	**$ 452,132**	**$ 58,926**	**$ 36,233**	**$ (2)**	**$ 7,664**	**$ (406,106)**	**$ 148,847**

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, 2016, 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. The Group's core mineral property interest is 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.

During the year ended December 31, 2016, the Company raised aggregate gross proceeds of $19.1 million through a prospectus financing and a private placement of units, consisting of common shares and warrants (note 7(b)), $4.0 million from the exercise of share purchase options and warrants (notes 7(c)-(d)) and $1.8 million through the sale of available-for-sale financial assets (note 4).

As at December 31, 2016, the Group has $7.2 million in cash and cash equivalents for its operating requirements. The Group incurred a net loss of $27.0 million and $33.8 million during the years ended December 31, 2016 and 2015, respectively and had a deficit $406.1 million as at December 31, 2016. Subsequent to the reporting period, the Group completed a bought deal financing and raised gross proceeds of approximately US$37.4 million (note 15). Accordingly, the Group has prioritized the allocation of available financial resources in order to meet key corporate and Pebble Project expenditure requirements for at least the next twelve months. Additional financing will be required in order to progress any material expenditures at the Pebble Project beyond 2017. Additional financing may include any of or a combination of debt equity and/or contributions from possible new Pebble Project participants. 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, at some point, consider reducing or curtailing its operations. As such there is material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern.

In July 2014, the United States Environmental Protection Agency (the "EPA") announced a proposal under Section 404(c) of the Clean Water Act to restrict and impose limitations on all discharges of dredged or fill material ("EPA Action") associated with mining the Pebble deposit. The Company believes that the EPA does not have the statutory authority to impose conditions on the development at Pebble prior to the submission of a detailed development plan and its thorough review by federal and state agencies, including review under the National Environmental Protection Act ("NEPA"). The Pebble Limited Partnership (the "Pebble Partnership"), a wholly-owned subsidiary of the Company, along with the State of Alaska and the Alaska Peninsula Corporation, an Alaska Native village corporation with extensive land holdings in the Pebble Project area, filed for an injunction to stop the EPA Action with the US Federal Court in Alaska (the "Court"). However, the Court has deferred judgment thereon until the EPA has issued a final determination. The Company appealed the Court's decision to the 9th Circuit Court of Appeals. The appeal was denied in May 2015. The Pebble Partnership still holds the option to pursue its statutory authority case in the instance that EPA finalizes a pre-emptive regulatory action under the Clean Water Act 404(c). In September 2014, the Pebble Partnership initiated a second action against the EPA in federal district court in Alaska charging that the EPA violated the Federal Advisory Committee Act ("FACA"). In November 2014, the U.S. federal court judge in Alaska granted, in relation to the FACA case, the Pebble Partnership's request for a preliminary injunction, which, although considered by the Company as a significant procedural milestone in the litigation, does not resolve the Pebble Partnership's claims that the EPA Actions with respect to the Bristol Bay Assessment and subsequent 404(c) regulatory process, violated FACA. In June 2015, the EPA's motion to dismiss the FACA case was rejected and as a result the FACA case is moving forward. The Company expects its legal rights will be upheld by the Court and that the Company will ultimately be able to apply for the necessary permits under NEPA. On October 14, 2014, the Pebble Partnership filed suit in the federal district court in Alaska charging that the EPA has violated the *Freedom of Information Act* ("FOIA") by improperly withholding documents related to the Pebble Project, the Bristol Bay Watershed Assessment and consideration of a pre-emptive 404(c) veto under the Clean Water Act.

The EPA has moved for summary judgment claiming that its search for and disclosure of documents was adequate. The Pebble Partnership has opposed the motion pointing out several deficiencies in the EPA's search parameters and pointing out the agency's overly broad assertion of the deliberative process privilege to withhold documents. On August 24, 2015, the U.S. federal court judge granted in part and deferred in part the EPA's motion for summary judgement on the FOIA litigation. The court accepted the EPA's position that it had made an adequate search for documents but left the matter open should the EPA not meet its obligations in the FACA litigation or if additional documents surface. Additionally, the judge ordered the EPA to produce a sample of 183 partially or fully withheld documents so that it could conduct an in camera review of the sample and test the merits of the EPA's withholdings under the deliberative process privilege. Before producing this sample to the Court, the EPA chose to voluntarily release 115 documents (or 63% of the sample ordered by the Court), relinquishing its claim of privilege as to these documents.

In briefings before the Court, the Pebble Partnership argued that the voluntary release of 63% of the agency's same documents conclusively demonstrated that the EPA had been over broad in its assertion of the deliberative process privilege, particularly because the content of the voluntarily released documents was not in fact deliberative. The Court agreed, finding that the EPA "improperly withheld documents in full," and that "many of the documents that the defendant released should have been released to begin with because the portions that the defendant released were not deliberative." It then ordered the EPA to review an additional 65 documents. Of these 65 documents, the EPA voluntarily released 55 documents in whole or in part (or 85% of the documents). Given the EPA's high rate of release, the Pebble Partnership submitted a brief to the Court arguing that the EPA should be forced to review the remaining documents being withheld and arguing that judgment should not be granted to the agency at this time. A decision has not yet been issued. The Court agreed, concluding that it had "no confidence that [the EPA] has properly withheld documents, either in full or in part, pursuant to the deliberative process privilege." The Court reiterated its earlier finding that EPA had been withholding documents that "should never have been withheld to begin with." As a result, the Court ordered the Agency to re-evaluate all remaining documents the EPA is withholding in response to the Pebble Partnership's January 2014 FOIA request and to submit these documents for in camera review. After this review, the Court issued an order resolving Pebble's challenges to the remaining withholdings and forcing EPA, yet again, to produce additional documents that the agency had been improperly withholding for over two years.

On October 27, 2016, the Pebble Partnership and the EPA filed a joint Notice in federal court stating their intent to enter into mediation in an effort to resolve ongoing litigation under FACA.

On December 30, 2016, the Pebble Partnership and the EPA filed a joint Notice in federal court staying the ongoing FACA litigation until March 20, 2017 and, on that date, the parties filed a Joint Motion in federal court to extend a stay of proceedings in ongoing litigation under FACA to May 4, 2017 in the interest of resolving the matter.

The Company has made substantial progress in recent direct discussions with the EPA and intends to continue negotiating the matter directly, rather than through mediation. US Government representatives are actively engaged in these discussions and, along with the Pebble Partnership, are focused on achieving a resolution that will be agreeable to both parties. In the meantime, the Court's Preliminary Injunction of November 25, 2014, will remain in effect for the duration of any stay.

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, 2016. These Financial Statements were authorized for issue by the Board of Directors on March 28, 2017.

(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 (notes 2(e) and 4). The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

(c) Basis of Consolidation

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

Name of Subsidiary [1]	**Place of Incorporation**	**Principal Activity**	**Ownership**
3537137 Canada Inc. [2]	Canada	Holding Company. Wholly-owned subsidiary of the Company.	100%
Pebble Services Inc.	Nevada, USA	Management and services company. Wholly-owned subsidiary of the Company.	100%
Northern Dynasty Partnership	Alaska, USA	Holds 99.9% of the Pebble Limited Partnership and 100% of Pebble Mines Corp.	100% (indirect)
Pebble Limited Partnership	Alaska, USA	Holding Company and Exploration of the Pebble Project.	100% (indirect)
Pebble Mines Corp.	Delaware, USA	General Partner. Holds 0.1% of Pebble Limited Partnership.	100% (indirect)
Pebble West Claims Corporation [3]	Alaska, USA	Holding Company. Subsidiary of the Pebble Limited Partnership.	100% (indirect)
Pebble East Claims Corporation [4]	Alaska, USA	Holding Company. Subsidiary of the Pebble Limited Partnership.	100% (indirect)
U5 Resources Inc. [5]	Nevada, USA	Holding Company. Wholly-owned subsidiary of the Company.	100%
Cannon Point Resources Ltd.	British Columbia, Canada	Not active. Wholly-owned subsidiary of the Company.	100%
MGL Subco Ltd.	British Columbia, Canada	Not active. Wholly-owned subsidiary of the Company.	100%

Delta Minerals Inc.	British Columbia, Canada	Not active. Wholly-owned subsidiary of MGL Subco Ltd.	100% (indirect)
Imperial Gold Corporation	British Columbia, Canada	Not active. Wholly-owned subsidiary of Delta Minerals Inc.	100% (indirect)
Yuma Gold Inc.	Nevada, USA	Not active. Wholly-owned subsidiary of Imperial Gold Corporation.	100% (indirect)

Notes:

1. An inactive wholly-owned subsidiary, 0796412 BC Ltd., was dissolved on February 17, 2016.
2. Holds 20% interest in the Northern Dynasty Partnership. The Company holds the remaining 80% interest.
3. Holds the Pebble Project claims.
4. Holds certain of the Pebble Project claims and claims located south and west of the Pebble Project claims.
5. Holds certain mineral claims located north of the Pebble Project claims.

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 intra- Group 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) 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 U5 Resources Inc., Pebble Services Inc., Pebble Mines Corp., the Pebble Partnership and its subsidiaries, and Yuma Gold Inc. is the US dollar and for all other entities within the Group, the functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the factors for consideration 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 results and financial position of entities within the Group which have a functional currency that differs from that of the Group are translated into Canadian dollars as follows: (i) assets and liabilities for each statement of financial position are translated at the closing exchange rate at that date; (ii) income and expenses for each income statement are translated at average exchange rates for the period; and (iii) the resulting exchange differences are included in the foreign currency translation reserve within equity.

(e) Financial Instruments

Non-derivative financial assets:

The Group has the following non-derivative financial assets: available-for-sale financial assets (note 4) 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 or 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.

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 consist of cash and cash equivalents, restricted cash (note 6), and amounts receivable (note 5).

Cash and cash equivalents and restricted cash

Cash and cash equivalents and restricted cash in the statements of financial position are comprised of cash and highly liquid investments having maturity dates of three months or less from the date of purchase, which are readily convertible into known amounts of cash.

The Group's cash and cash equivalents and restricted cash are invested in business and savings accounts and guaranteed investment certificates at major financial institutions and are available on demand by the Group for its programs and, as such, are subject to an insignificant risk of change in value.

Non-derivative financial liabilities:

The Group's non-derivative financial liabilities comprise trade and other payables (note 9) and a payable to a related party (note 8(b)).

All financial liabilities fall within the classification of other financial liabilities versus financial liabilities through profit or 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 reporting period.

Derivative financial assets and liabilities:

The Group has no derivative financial assets or liabilities.

(f) 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 assets.

(g) Mineral property, plant and equipment

Mineral property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of mineral property, plant and equipment consists of the acquisition costs transferred from E&E assets, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, including costs to further delineate the ore body, development and construction costs, removal of overburden to initially expose the ore body, an initial estimate of the costs of dismantling, removing the item and restoring the site on which it is located and, if applicable, borrowing costs.

Mineral property acquisition and development costs are not currently depreciated as the Pebble Project is still in the development stage and no saleable minerals are being produced.

The cost of an item of plant and equipment 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 plant and equipment, less their estimated residual value, using the declining balance method at various rates ranging from 20% to 30% per annum.

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

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

(h) Impairment of Non-Financial Assets

At the end of each reporting period the carrying amounts of the Group's non-financial assets are reviewed to determine whether there is any indication that these 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.

(i) Share Capital, Special Warrants and Warrants

Common shares, special warrants and warrants (notes 7(b)-(c)) are classified as equity. Transaction costs directly attributable to the issue of common shares, share purchase options, special warrants and warrants are recognized as a deduction from equity, net of any tax effects. Where units comprising of common shares and warrants are issued (note 7(b)), the proceeds and any transaction costs are apportioned between the common shares and warrants according to their relative fair values.

Upon conversion of special warrants and warrants into common shares, the carrying amount, net of a pro rata share of the transaction costs, is transferred to common share capital.

(j) Share-based Payment Transactions

Equity-settled share-based Option Plan

The Group operates an equity-settled share-based option plan for its employees and service providers (note 7(d)). 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 (the "Equity Reserve"). 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 Reserve. The fair value of 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.

Deferred Share Unit ("DSU") Plan

The Group adopted and operates a DSU plan for its non-executive directors. The Group determines whether to account for DSUs as equity-settled or cash-settled based on the terms of the contractual arrangement. The fair value of DSUs granted is recognized as an employee expense with a corresponding increase in the Equity Reserve if deemed equity-settled or a liability is raised if cash-settled at grant date.

The fair value is estimated using the quoted market price of the Company's common shares at grant date and expensed over the vesting period as share-based compensation in the statement of loss and comprehensive loss until they are fully vested. If the DSUs are cash-settled, the expense and liability are adjusted each reporting period for changes in the quoted market price of the Company's common shares.

Restricted Share Unit ("RSU") Plan

The Group has also adopted a RSU plan for its employees, executive directors and eligible consultants of the Group. The Group determines whether to account for the RSUs as equity-settled or cash-settled based on the terms of the contractual arrangement. The fair value of RSUs is recognized as an employee expense with a corresponding increase in the Equity Reserve if deemed equity –settled or a liability is raised if cash settled at grant date.

The fair value is estimated using the number of RSUs and the quoted market price of the Company's common shares at the grant date. It is then expensed over the vesting period with the credit recognized in equity in the Equity Reserve. If cash-settled, the expense and liability are adjusted each reporting period for changes in the quoted market value of the Company's common shares.

(k) 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 regard 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.

(l) 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.

(m) 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 and any fully prepaid special warrants 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.

(n) Segment Reporting

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

(o) 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:

1. 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(d).
2. 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.

Critical accounting judgments

These include:

1. In terms of IFRS 6, *Exploration for and Evaluation of Mineral Resources,* management identified indicators that required testing the Group's mineral property interest ("MPI") for impairment. The Group used judgment in determining from an analysis of facts and circumstances that no impairment of the MPI was necessary.
2. Pursuant to IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21") in determining the functional currency of the parent and its subsidiaries, the Group used judgment in identifying 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 each entity operates.
3. The Group has employed judgement that going concern was an appropriate basis for the preparation of the Financial Statements, as the Group considered existing and future available financial resources (note 15) in determining that such financial resources are able to meet key corporate Pebble Project expenditure requirements for at least the next twelve months (refer note 1).

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

The Group adopted the following amendments and annual improvements that became effective January 1, 2016:

- Amendments to IAS 1, *Presentation of Financial Statements*
- Amendments to IAS 16, *Property, Plant and Equipment*
- Amendments to IAS 28, *Investments in Associates*
- Amendments to IAS 38, *Intangible Assets*
- Amendments to IFRS 10, *Consolidated Financial Statements*
- Amendments to IFRS 11, *Joint Arrangements*
- Annual improvements to IFRS *2012 – 2014 Cycle ("AIP 2012-2014")*

The amendments and annual improvements had no material effect on the Financial Statements.

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

Effective for annual periods commencing on or after January 1, 2018

- IFRS 9, *Financial Instruments* ("IFRS 9")

  IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The standard incorporates a number of improvements: a) includes a logical model for classification and measurement (IFRS 9 provides for principle-based approach to classification which is driven by cash flow characteristics and the business model in which an asset is held); b) includes a single, forward-looking "expected loss" impairment model (IFRS 9 will require entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timely basis); and c) includes a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity (IFRS 9's new model aligns the accounting treatment with risk management activities). The standard permits early adoption.

  The Group will adopt IFRS 9 at the effective date and anticipates that the adoption will have no material impact on its financial statements given the extent of its current use of financial instruments.

- IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

  IFRS 15 supersedes IAS 11, *Construction Contracts,* IAS 18, *Revenue,* IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15*, Agreements for the Construction of Real Estate,* IFRIC 18*, Transfers of Assets from Customers* and SIC 31*, Revenue – Barter Transactions Involving Advertising Services.* IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and certainty of revenue and cash flows arising from a contract with a customer. The standard permits early adoption.

  The Group will adopt IFRS 15 at the effective date and anticipates that the adoption will have no material impact on its financial statements as the Group does not generate significant revenue given the Group's current stage of development of the Pebble Project. The Group will reassess the impact once significant revenue is generated.

Effective for annual periods commencing on or after January 1, 2019

- IFRS 16, Leases ("IFRS 16") and revised IAS 17, Leases ("IAS 17").

  The IASB issued IFRS 16 and revised IAS 17 in January 2016. IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the term of the lease is twelve months or less or the underlying asset has a low value. Lessor accounting however remains unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

  The Group will adopt IFRS 16 at the effective date and anticipates that the adoption will not have a significant impact other than the accounting for office, accommodation and storage leases the Group may have entered into where the minimum lease term is more than 12 months. In October 2016, the Group entered into a 5 year long term office lease (refer note 14).

3. MINERAL PROPERTY, PLANT AND EQUIPMENT

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

Year ended December 31, 2016	Mineral Property interest [1]	Plant and equipment	Total
Cost			
Beginning balance	$ 112,541	$ 1,032	$ 113,573
Additions	–	–	–
Dispositions	–	(151)	(151)
Ending balance	$ 112,541	$ 881	$ 113,422
Accumulated depreciation			
Beginning balance	$ –	$ (481)	$ (481)
Depreciation [2]	–	(205)	(205)
Eliminated on disposal	–	128	128
Ending balance	$ –	$ (558)	$ (558)
Foreign currency translation difference	29,381	227	29,608
Net carrying value – Ending balance	$ 141,922	$ 550	$ 142,472

Year ended December 31, 2015	Mineral Property interest [1]	Plant and equipment	Total
Cost			
Beginning balance	$ 112,541	$ 1,155	$ 113,696
Additions	–	28	28
Dispositions	–	(151)	(151)
Ending balance	$ 112,541	$ 1,032	$ 113,573
Accumulated depreciation			
Beginning balance	$ –	$ (278)	$ (278)
Depreciation [2]	–	(279)	(279)
Eliminated on disposal	–	76	76
Ending balance	$ –	$ (481)	$ (481)
Foreign currency translation difference	33,743	253	33,996
Net carrying value – Ending balance	$ 146,284	$ 804	$ 147,088

Notes to table:

1. Comprises the Pebble Project, a contiguous block of 2,402 mineral claims covering approximately 417 square miles located in southwest Alaska, 17 miles (30 kilometers) from the villages of Iliamna and Newhalen, and approximately 200 miles (320 kilometers) southwest of the city of Anchorage.

2. Depreciation is included in exploration and evaluation expenses.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's available-for-sale financial assets was comprised of an investment in marketable securities of a Canadian publicly listed company acquired through the acquisition of Mission Gold Ltd. (note 7(b)). The Group disposed of the marketable securities for $1,754 during the year ended December 31, 2016.

5. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31 2016	December 31 2015
Sales tax receivable	50	$ 164
Amounts receivable	138	514
Prepaid expenses	491	397
Total	679	$ 1,075

6. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

	December 31 2016	December 31 2015
Business and savings accounts	$ 7,196	$ 7,509

Supplementary cash flow information

Non-cash investing and financing activities:

- In the year ended December 31, 2016, 41,334 options were exercised and common shares were issued but not delivered as payment was only received after the reporting date (note 15).
- In the year ended December 31, 2015, the following non-cash transactions occurred:

  (a) The Group converted special warrants on a one-for-one basis into common shares of the Company at no additional cost to the holder (note 7(c)); and
  (b) The Group issued options and warrants pursuant to the acquisition of Cannon Point Resources Ltd. and Mission Gold Ltd. (note 7(b)).

(b) Restricted Cash

The Group held restricted cash in the amount of $453 at December 31, 2015 for certain equipment demobilization expenses relating to the Pebble Partnership's activities undertaken while it was subject to joint control of the Group and Anglo American plc. ("Anglo American"). This cash was not available for general use by the Group. During the year ended December 31, 2016, the Group drew down $393 from restricted cash for expenditures incurred in the last quarter of 2015 and returned the remaining balance of $60 to Anglo American in accordance with the terms of the agreement between both parties.

7. CAPITAL AND RESERVES

(a) Authorized Share Capital

At December 31, 2016, the authorized share capital comprised an unlimited (2015 – unlimited) number of common shares with no par value. As of the reporting date, the Company had 270,828,227 common shares issued and fully paid and 41,334 common shares issued to be delivered on receipt of payment (note 7(d)).

(b) Financings and Other

2016 Prospectus Financing

In June 2016, the Group completed a prospectus offering of 38,000,000 units in the capital of the Company at a price of $0.45 per unit for gross proceeds of $17,100. Each Unit consisted of one common share and one common share purchase warrant, which entitles the holder to purchase an additional common share at an exercise price of $0.65 per common share until June 10, 2021.

As of the reporting date, the Group incurred a total of $1,070 in issuance costs related to agents, advisory, regulatory and legal fees. The Group apportioned the gross proceeds and issuance costs between share capital and warrants based on their relative fair values on date of issue, with share capital using the quoted market price for shares on date of issue and warrants based on the Black Scholes option pricing model (using inputs of $0.65 exercise price; $0.42 valuation date share price; 81% expected volatility; 0.57% risk free rate; 5 years remaining life; and nil% dividend). Accordingly, net proceeds of $10,347 was allocated to share capital and $5,683 to warrants.

2016 Private Placement

In July 2016, the Group completed a private placement of 4,444,376 units in the capital of the Company, each unit comprising of one common share and one share purchase warrant, at a price of $0.45 per unit for gross proceeds of $2,000. Each share purchase warrant is exercisable into one common share at an exercise price of $0.65 per common share until June 10, 2021. The common shares and share purchase warrants were subject to applicable resale restrictions, including a four month hold under Canadian legislation.

As of the reporting date, the Group incurred a total of $33 in issuance costs related to regulatory and legal fees. The Group apportioned the gross proceeds and issuance costs between share capital and warrants based on their relative fair values on date of issue, with share capital using the quoted market price for shares on date of issue and warrants based on the Black Scholes option pricing model (using inputs of $0.65 exercise price; $0.45 valuation date share price; 81% expected volatility; 0.54% risk free rate; 5 years remaining life; and nil% dividend). Accordingly, net proceeds of $1,264 was allocated to share capital and $703 to warrants.

2015 Private Placement

In December 2015, the Group completed a private placement of 12,573,292 common shares in the Company at a price of $0.412 per share for gross proceeds of $5,180. The Group issued 300,000 common shares as referral fees to an arm's length third party and recorded the fair value of these common shares of $120 as share issuance cost. Other legal and regulatory costs incurred in relation to the private placement was $14.

2015 Acquisition of Listed Entities

During the year ended December 31, 2015, the Group acquired TSX Venture listed entities, Cannon Point Resources Ltd. ("Cannon Point") and Mission Gold Ltd. ("Mission Gold"), each by way of a plan of arrangement in which the Group acquired 100% of the issued and outstanding common shares by issuing 12,881,344 and 27,593,341 common shares respectively. The acquisitions enabled the Group to have access to their primary asset being cash resources of which Cannon Point had $4,397 and Mission Gold had $8,338. The Group incurred transaction costs of $104 and $284 respectively which was recorded within equity.

Pursuant to the Cannon Point arrangement, Cannon Point advanced to the Group $4,250 (the "Cash Advance") with a one year term at an interest rate of 15% per annum. The Group accrued $103 in interest on the Cash Advance up to the date of the acquisition.

Pursuant to the Mission Gold arrangement, Mission Gold provided the Group with a credit facility of $8.4 million (the "Credit Facility") with a 6-month term at an interest rate of 15% per annum. The Group only drew down $2 million of the Credit Facility before the acquisition was completed and accrued $41 in interest on the $2 million from the Credit Facility up to that date.

The following is a summary of each acquisition:

	Cannon Point	Mission Gold
	Fair value	Fair value
Cash and cash equivalents	$ 4,397	$ 8,338
Common shares of a publicly listed investment (note 4)	–	1,684
Amounts receivable	126	81
Accounts payable and accrued liabilities assumed	(140)	–
Financial instruments acquired	$ 4,383	$ 10,103
Consideration [1]:		
Common shares issued (12,881,344 and 27,593,341)	$ 4,166	$ 7,838
Share purchase warrants and options (4,394,500 and 16,673,348 (note 7(c)))	217	2,265
Total consideration	$ 4,383	$ 10,103

Note

1. The fair value of the financial assets and liabilities was allocated to the common shares and the share purchase options/warrants issued in proportion to their relative fair values; for common shares, the quoted market price on date of issue was used and for the options and warrants, the Black Scholes options pricing model was used (using weighted average valuation inputs for i) Cannon Point: $1.63 exercise price; $0.55 valuation date share price; 87% expected volatility; 0.49% risk free rate; 0.82 years remaining life; and nil% dividend yield; and ii) Mission Gold: $0.97 exercise price; $.43 valuation date share price; 83% expected volatility; 0.59% risk free rate; 4.06 years remaining life; and nil% dividend yield).

(c) Share Purchase Warrants and Options not Issued under the Group's Incentive Plan

The following reconciles warrants and non-employee options (options which are not issued under the Group's incentive plan (note 7(d)), each exercisable to acquire one common share, at the beginning and end of the year for 2016:

		Year ended December 31, 2016				
Exercise price per common share ($)	Expiry date	Beginning balance	Issued	Exercised	Expired	Ending balance
Options issued pursuant to the acquisition of Cannon Point						
0.29	January 29, 2016	150,400	–	(150,400)	–	–
0.37	January 29, 2016	220,900	–	(61,100)	(159,800)	–
0.40	January 29, 2016	150,400	–	–	(150,400)	–
0.43	January 29, 2016	37,600	–	–	(37,600)	–
0.37	July 23, 2017	18,800	–	–	–	18,800
0.37	June 30, 2019	56,400	–	–	–	56,400
0.40	June 30, 2019	225,600	–	(133,950)	–	91,650
0.37	March 10, 2021	9,400	–	–	–	9,400
0.40	March 10, 2021	150,400	–	(11,750)	–	138,650
0.37	December 15, 2021	37,600	–	–	–	37,600
0.40	December 12, 2022	75,200	–	(18,800)	–	56,400
0.29	December 8, 2024	37,600	–	–	–	37,600
Total		1,170,300	–	(376,000)	(347,800)	446,500
Warrants issued pursuant to the acquisition of Mission Gold						
0.55	July 9, 2020	13,801,672	–	(2,512,974)	–	11,288,698
3.00	September 14, 2017	2,871,676	–	–	–	2,871,676
Total		16,673,348	–	(2,512,974)	–	14,160,374
Warrants issued pursuant to financings [1]						
0.65	June 10, 2021	–	42,444,376	(3,047,966)	–	39,396,410
Total		–	42,444,376	(3,047,966)	–	39,396,410
Grand Total		17,843,648	42,444,376	(5,936,940)	(347,800)	54,003,284

Note to 2016 table:

1. The Group issued warrants pursuant to the June 2016 prospectus and July 2016 private placement financings (note 7(b)).

At December 31, 2016, warrants and non-employee options had a weighted average exercise price of $0.75 (2015 – $0.93) and a weighted average remaining life of 4.05 years (2015 – 3.94 years).

The following table reconciles warrants for year ended December 31, 2015:

		Year ended December 31, 2015				
Exercise price per common share ($)	Expiry date	Beginning balance	Issued	Exercised/ conversion	Expired	Ending balance
Special warrants issued for cash [1]						
nil	Not applicable	27,622,642	45,940,093	(73,562,735)	–	–
Warrants and options issued pursuant to the acquisition of Cannon Point [2]						
0.37	December 2, 2015	–	28,200	–	(28,200)	–
0.40	December 2, 2015	–	47,000	–	(47,000)	–
2.13	December 17, 2015	–	3,149,000	–	(3,149,000)	–
0.29	January 29, 2016	–	150,400	–	–	150,400
0.37	January 29, 2016	–	220,900	–	–	220,900
0.40	January 29, 2016	–	150,400	–	–	150,400
0.43	January 29, 2016	–	37,600	–	–	37,600
0.37	July 23, 2017 [3]	–	18,800	–	–	18,800
0.37	June 30, 2019	–	56,400	–	–	56,400
0.40	June 30, 2019	–	225,600	–	–	225,600
0.37	March 10, 2021	–	9,400	–	–	9,400
0.40	March 10, 2021	–	150,400	–	–	150,400
0.37	December 15, 2021	–	37,600	–	–	37,600
0.40	December 12, 2022	–	75,200	–	–	75,200
0.29	December 8, 2024	–	37,600	–	–	37,600
Total [3]		**–**	4,394,500	–	(3,224,200)	1,170,300
Warrants and options issued pursuant to the acquisition of Mission Gold [2]						
0.55	July 9, 2020	–	13,801,672	–	–	13,801,672
3.00	September 14, 2017	–	2,871,676	–	–	2,871,676
Total		**–**	16,673,348	–	–	16,673,348
Grand Total		27,622,642	67,007,941	(73,562,735)	(3,224,200)	17,843,648

Notes to the 2015 table:

1. In the year ended December 31, 2015, the Group completed two private placement financings of share purchase warrants ("Special Warrants"). Each of the Special Warrants was convertible, without payment of any additional consideration by the holder, into one common share of the Company, either at the option of the holder or automatically within a maximum of a two year period from the issuance date. The Special Warrants issued were all converted into common shares by the end of the year. The Group incurred a total of $1,112 in advisory, finders', regulatory, and legal fees on the financing.

2. The Group exchanged options and warrants to purchase shares in Cannon Point Resources Ltd. ("Cannon Point") and warrants to purchase shares in Mission Gold Ltd. ("Mission Gold") for options and warrants to purchase shares in the Company pursuant to the acquisition of Cannon Point in October 2015 and Mission Gold in December 2015 respectively. The options and warrants were recognized at their relative fair values.

3. The ending number of options outstanding has been changed from the number that was reported in the year ended December 31, 2015, in order to correct an immaterial disclosure error in which these options were erroneously shown as having been exercised but were still outstanding. Accordingly, the total number of options and warrants outstanding at December 31, 2015 increased by 18,800 from what was previously reported.

(d) 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 "2014 Rolling Option Plan") is based on the maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding common shares including any issuances from the Group's RSU and DSU plans, calculated from time to time. Pursuant to the 2014 Rolling Option Plan, if outstanding share purchase options ("options") are exercised and the number of issued and outstanding common shares of the Company increases, then the options available to grant under the plan increase proportionately (assuming there are no issuances under the RSU and DSU plans). The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than the market price, being the 5-day volume weighted average trading price calculated the day before the grant. Options can have a maximum term of 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 options will expire the earlier of the expiry date or one year from date of death or retirement. The vesting period for options is at the discretion of the Board of Directors at the time the options are granted.

The following summarizes the Group's options outstanding at the beginning and end of the year:

	2016		2015	
Continuity of options	Number of options	Weighted average exercise price ($/option)	Number of options	Weighted average exercise price ($/option)
Beginning balance	9,755,600	1.27	7,687,000	1.95
Granted	6,806,000	0.49	3,657,500	0.50
Expired	(27,000)	15.44	(1,241,800)	3.00
Exercised	(548,869)	0.92	–	–
Forfeited	(38,000)	0.50	(25,400)	0.97
Cancelled	(86,600)	1.40	(321,700)	2.17
Ending balance	15,861,131	0.92	9,755,600	1.27

During the year ended December 31, 2016, the Group granted 200,000 options to consultants for engineering advisory and administrative consulting services. The Group determined that given the nature of the services being provided and that are continued to be provided, it could not determine the fair value of these services reliably. As a consequence, the Group estimated that the value of these services approximated the fair value of the options granted measured using the Black-Scholes option pricing model which at December 31, 2016 amounted to $144 (2015 – $11).

For options granted in the year ended December 31, 2016, the weighted average fair value was estimated at $0.46 (2015 – $0.28) per option and was based on the Black-Scholes option pricing model using the following weighted average assumptions:

Assumptions	**2016**	2015
Risk-free interest rate	0.54%	0.78%
Expected life	4.73 years	4.36 years
Expected volatility [1]	82.89%	81.76%
Grant date share price	$ 0.67	$ 0.47
Expected dividend yield	Nil	Nil

Note:

1. Expected volatility is based on the historical volatility of the Company's common share price on the TSX.

Details of options exercised during the year ended December 31, 2016 were as follows:

Period	Share purchase options exercised	Weighted average exercise price ($/option)	Weighted average market share price on exercise ($)
August 31, 2016	10,000	0.49	0.96
September 1 to 30, 2016	46,667	0.50	1.00
October 24, 2016	60,000	0.50	0.97
November 1 to 30, 2016	271,668	1.20	1.56
December 1 to 31, 2016	160,534	0.74	2.44
	548,869	0.92	1.70

No options were exercised in the year ended December 31, 2015.

The following summarizes information on options outstanding at December 31, 2016 and 2015:

2016	**Options outstanding**			**Options exercisable**		
Exercise prices ($)	Number outstanding	Weighted average exercise price ($/option)	Weighted average remaining contractual life (years)	Number outstanding	Weighted average exercise price ($/option)	Weighted average remaining contractual life (years)
0.48	600,000	0.48	4.21	200,000	0.48	4.21
0.49	6,147,000	0.49	4.25	2,009,670	0.49	4.28
0.50	3,266,831	0.50	3.23	2,074,676	0.50	3.27
0.72	200,000	0.72	2.71	200,000	0.72	2.71
0.89	1,180,500	0.89	2.20	1,113,498	0.89	2.22
1.77	3,991,800	1.77	1.71	3,991,800	1.77	1.71
3.00	475,000	3.00	0.49	475,000	3.00	0.49
	15,861,131	0.92	3.11	10,064,644	1.17	2.61

2015	Options outstanding			Options exercisable		
Exercise prices ($)	Number outstanding	Weighted average exercise price ($/option)	Weighted average remaining contractual life (years)	Number outstanding	Weighted average exercise price ($/option)	Weighted average remaining contractual life (years)
0.50	3,639,500	0.50	4.15	1,217,172	0.50	4.15
0.72	200,000	0.72	3.71	133,334	0.72	3.71
0.89	1,180,500	0.89	3.20	745,166	0.89	3.22
1.77	4,233,600	1.77	2.70	4,233,600	1.77	2.70
3.00	475,000	3.00	1.50	475,000	3.00	1.50
15.44	27,000	15.44	0.21	27,000	15.44	0.21
	9,755,600	1.27	3.26	6,831,272	1.57	2.94

(e) Deferred Share Units ("DSUs")

The Group has a DSU plan which was approved by the Group's shareholders in 2015 which allows the Board, at its discretion, to award DSUs to non-executive directors for services rendered to the Group and also provides that non-executive directors may elect to receive up to 100% of their annual compensation in DSUs. The aggregate number of DSUs outstanding pursuant to the DSU plan may not exceed 2% of the issued and outstanding common shares ("Shares") from time to time provided the total does not result in the total Shares issuable under all the Group's share-based compensation plans (i.e. including Share purchase option and RSU plans) exceeding 10% of the total number of issued outstanding Shares. DSUs are payable when the non-executive director ceases to be a director including in the event of death. DSUs may be settled in Shares issued from treasury, by the delivery to the former director of Shares purchased by the Group in the open market, payment in cash, or any combination thereof, at the discretion of the Group.

During the year ended December 31, 2016, the Group granted 458,129 DSUs with an aggregate fair value of $316 at date of grant which was recorded as share-based compensation in the statement of loss with a corresponding increase in the equity-settled share payment reserve in equity.

(f) Restricted Share Units ("RSUs")

The Group's RSU plan which was approved by the Group's shareholders, allows the Board to grant employees, executive directors and consultants RSUs from time to time. The RSUs are granted conditionally and entitle the recipient to receive one share (or the cash equivalent) upon attainment of a time-based vesting period. The RSU plan limits the aggregate number of RSUs outstanding to 3% of the issued and outstanding Shares from time to time provided the total does not result in the total Shares issuable under all the Group's share-based compensation plans (i.e. including Share purchase option and RSU plans) exceeding 10% of the total number of issued outstanding Shares. RSUs can be settled by the Group at its discretion in Shares issued from treasury, by the delivery of Shares purchased by the Group in the open market, payment in cash or in any combination thereof.

During the year ended December 31, 2016, the Group granted an aggregate 639,031 RSUs to its Chairman, Chief Executive Officer and Chief Financial Officer with a vesting term of one year from the date of grant. The fair value of the RSUs at date of grant was $441 determined using the quoted market price of Shares at date of grant. The Group has recognized $209 during the year as share-based compensation with a corresponding increase in the equity-settled share payment reserve in equity

(g) Foreign Currency Translation Reserve

	Year ended December 31	
	2016	2015
Beginning balance	$ 40,479	$ 17,179
Foreign exchange translation differences incurred:		
(Loss) gain on translation of foreign subsidiaries	(4,246)	23,300
Ending balance	$ 36,233	$ 40,479

The foreign currency translation reserve represents accumulated exchange differences arising on the translation, into the Group's presentation currency (the Canadian dollar), of the results of operations and net assets of the Group's subsidiaries with a US dollar functional currency.

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(c)). Details between the Group and other related parties are disclosed below:

(a) Transactions and Balances with Key Management Personnel ("KMP")

The aggregate value of transactions with KMP, being the Group's directors, Chief Financial Officer ("CFO") and senior management including the Senior Vice President ("VP") Corporate Development, VP Corporate Communications, VP Engineering, VP Public Affairs, Chief Executive Officer of the Pebble Partnership ("PLP CEO"), Chairman of Pebble Mines Corp ("PMC Chair"), Senior VP Corporate Affairs of the Pebble Partnership ("PLP Senior VP") and Company Secretary, was as follows for the year ended December 31, 2016 and 2015:

Transactions	**2016**	2015
Compensation		
Amounts paid to HDSI for services of KMP employed by HDSI [1]	$ 2,274	$ 2,800
Amounts paid and payable to KMP [2,3]	1,737	2,700
	4,011	5,500
Share-based compensation [3,4]	2,428	500
Total compensation	$ 6,439	$ 6,000
Transfer of resources to the Group [5]	$ –	$ (364)

Notes:

1. The Group's Chairman, CEO, CFO and senior management (other than disclosed in 2 below) are employed by the Group through Hunter Dickinson Services Inc. (refer (b) below).
2. The Group directly employs its non-executive directors, PLP CEO, PMC Chair and PLP Senior VP. Payments represent short term employee benefits incurred, including salaries and directors fees.
3. Includes the cost of DSUs issued to non-executive directors for annual compensation payable (note 7(e)) and RSUs issued to the Group's Chairman, CEO and CFO (note 7(f)) in the current year.
4. Includes cost of options granted during the year and options still vesting from prior grants.
5. During the year ended December 31, 2015, three directors and officers and spouses of officers subscribed and paid for 912,336 Special Warrants pursuant to the private placement of Special Warrants (note 7(c)).

(b) Transactions and Balances with other Related Parties

Hunter Dickinson Services Inc. ("HDSI") is a private company that provides geological, engineering, environmental, corporate development, financial, administrative and management services to the Group and its subsidiaries at annually set rates pursuant to a management services agreement. The annually set rates also include a component of overhead costs such as office rent, information technology services and general administrative support services. HDSI also incurs third party costs on behalf of the Group which are reimbursed by the Group at cost. Several directors and other key management personnel of HDSI, who are close business associates, are also key management personnel of the Group.

For the year ended December 31, 2016, and 2015, the aggregate value of transactions were as follows:

Transactions	**2016**	2015
Services rendered by HDSI:	$ 3,584	$ 4,680
Technical	1,157	1,600
Engineering	83	140
Environmental	375	580
Socioeconomic	660	670
Other technical services	39	210
General and administrative	2,427	3,080
Management, corporate communications, secretarial, financial and administration	1,908	2,420
Shareholder communication	519	660
Reimbursement of third party expenses incurred by HDSI	499	610
Conferences and travel	175	160
Insurance	54	60
Office supplies and information technology	270	390
Sale of available-for-sale financial assets to HDSI	–	(280)
Total value of transactions with HDSI	$ 4,083	$ 5,010

The outstanding balances with HDSI were as follows

Balances payable to HDSI	**December 31 2016**	December 31 2015
Services rendered to the Group and expenses incurred for the Group	$ 240	$ 677

9. TRADE AND OTHER PAYABLES

Falling due within the year	**December 31 2016**	December 31 2015
Trade	$ 1,260	$ 1,594
Other (note 6(b))	–	453
Total	$ 1,260	$ 2,047

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share was based on the following for the year ended December 31, 2016 and 2015:

	Year ended December 31	
	2016	2015
Loss attributable to common shareholders	$ 26,982	$ 33,829
Weighted average number of common shares outstanding (000s)	246,161	146,313

Diluted loss per share does not include the effect of 15,861,131 (2015 – 9,755,600) employee share purchase options outstanding and 54,003,284 (2015 – 17,843,648) non-employee share purchase options and warrants as they are anti-dilutive.

11. EMPLOYMENT COSTS

During the year ended December 31, 2016, the Group recorded $10,626 (2015 – $9,900) in salaries and benefits, including share-based payments of $2,995 (2015 – $903) and amounts paid to HDSI for services provided to the Group by HDSI personnel (note 8(b)).

12. INCOME TAX EXPENSE

	Year ended December 31	
	2016	2015
Current tax (recovery) expense		
Current year (recovery) expense	$ –	$ –
Current income tax (recovery) expense	$ –	$ –
Deferred income tax (recovery) expense		
Current year (recovery) expense	$ –	$ (1,514)
Deferred income tax (recovery) expense	$ –	$ (1,514)

	Year ended December 31	
Reconciliation of effective tax rate	**2016**	2015
Net loss	$ (26,982)	$ (33,829)
Total income tax (recovery) expense	–	(1,514)
Loss excluding income tax	(26,982)	(35,343)
Income tax using the Company's domestic tax rate	(7,015)	(9,189)
Non-deductible expenses (recoveries) and other	512	(1,245)
Deferred income tax assets not recognized	6,503	8,920
	$ –	$ (1,514)

The Company's domestic tax rate for the year was 26% (2015 – 26%).

Deferred income tax assets (liabilities)	**December 31 2016**	December 31 2015
Tax losses	$ 3,214	$ 3,117
Net deferred income tax assets	3,214	3,117
Resource property/investment in Pebble Partnership	(3,191)	(3,005)
Equipment	(23)	(112)
Net deferred income tax liability	$ –	$ –

The Group had the following temporary differences at December 31, 2016 in respect of which no deferred tax asset has been recognized:

Expiry	Tax losses	Resource pools	Other
Within one year	$ –	$ –	$ –
One to five years	–	–	3,342
After five years	109,116	–	–
No expiry date	78	101,325	146
Total	$ 109,194	$ 101,325	$ 3,488

The Group has taxable temporary differences in relation to investments in foreign subsidiaries or branches of $7.8 million (2015 – $7.3 million) which was not recognized because the Group controls the reversal of liabilities and it is expected it will not reverse in the foreseeable future.

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 ($nil at December 31, 2016) and amounts receivable. 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) include receivable balances with government agencies and refundable deposits. The following is the Group's maximum exposure:

	December 31 2016	December 31 2015
Amounts receivable	$ 679	$ 1,075
Restricted cash	–	453
Cash and cash equivalents	7,196	7,509
Total exposure	$ 7,875	$ 9,037

(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 ($nil at December 31, 2016), where applicable. The Group's cash and cash equivalents at the reporting date were currently invested in business accounts.

The Group's financial liabilities are comprised of trade and other payables (note 9) and a payable to a related party (note 8(b)), 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 Company is subject to both currency transaction risk and currency translation risk: the Pebble Partnership and U5 Resources Inc. have the US dollar as functional currency, and certain of the Company's corporate expenses are incurred in US dollars. 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 as well as 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 US dollar- denominated financial assets and liabilities to foreign exchange risk is as follows:

	December 31 2016	December 31 2015
Financial assets:		
Amounts receivable	$ 326	$ 595
Cash and cash equivalents and restricted cash	2,232	6,408
	2,558	7,003
Financial liabilities: Trade and other payables	(652)	(1,529)
Net financial assets exposed to foreign currency risk	$ 1,906	$ 5,474

Based on the above net exposures and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar relative to the US dollar would result in a gain or loss of $191 (2015 – $502) in the year. This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

(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 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 loss of $73 (2015: $85).

(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, reserves and Special Warrants, 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. The fair value of the AFS financial asset was classified into level 1 of the fair value hierarchy as quoted market prices was used in the fair value determination.

14. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Group has the following commitments as of December 31, 2016:

		Fiscal 2017 ('000s)		Fiscal 2018 ('000s)		Fiscal 2019 ('000s)		Total ('000s)
Anchorage office lease[1]	US$	88	US$	91	US$	94	US$	273
Pebble Project site leases[2]		56		–		–		56
Total	US$	144	US$	91	US$	94	US$	329
Total in Canadian dollars[3]	$	193	$	122	$	126	$	441

Notes:

1. The initial 5 year lease term expired on October 31, 2016. The Group negotiated for new office space from November 1, 2016 with an initial 5 year term to November 30, 2021.
2. The Group has leases for a hangar at site and core storage. The hanger lease expires May 1, 2017 and the core yard lease expires June 1, 2017.
3. Converted at the closing Bank of Canada rate of $1.3427 per US$1 on December 31, 2016.

(b) Legal

The Group, through the Pebble Partnership, is advancing its multi-dimensional strategy to address the EPA's preemptive regulatory action under Section 404(c) of the Clean Water Act, through litigation against the EPA contesting the EPA's statutory authority to act pre-emptively under the Clean Water Act, and alleging violation of FACA and the unlawful withholding of documentation under FOIA (refer note 1). The Group has a contingent liability for additional legal fees and costs that may be due to the Group's counsel should there be a successful outcome or settlement. However, the Group is unable to estimate or determine the length of time that each of the legal initiatives mentioned above will take to advance to specific milestone events or final conclusion. As of the reporting date, if there was a favourable outcome or settlement, the Company estimates there would potentially be additional legal fees of approximately $20.2 million (US$15.1 million converted at the closing Bank of Canada rate on December 31, 2016 of $1.3427 per US$1) payable by the Group.

15. EVENTS AFTER THE REPORTING DATE

In January 2017, the Company completed a bought deal financing of 20,240,000 common shares at a price of US$1.85 per common share for gross proceeds of US$37.4 million.

On February 14, 2017, short seller investment firm Kerrisdale Capital Management LLC published a negative piece (the "Kerrisdale Report") regarding the Pebble Project, which the Company is attempting to develop. On February 15 and 17, 2017, two purported shareholder class actions were filed against the Company and certain of its current officers and directors in US federal courts, specifically the Central District of California (Los Angeles) and the Southern District of New York (New York City). The cases are captioned: *Diaz v. Northern Dynasty Minerals Ltd. et al, Case No. 17-cv-01241 (C.D. Cal.)* and *Kirwin v. Northern Dynasty Minerals Ltd. et al, Case No. 17-cv-01238 (S.D.N.Y.)*. The complaints appear to rely on the claims made in the Kerrisdale Report and allege damages to a class of investors who purchased shares of the Company prior to the publication of the Kerrisdale Report and allege liability for losses pursuant to Section 10(b) of the Exchange Act of 1934 and SEC Rule 10b-5 thereunder, as well as control person liability against the individual defendants pursuant to Section 20(a) of the Exchange Act. The Company has not yet been served with either of these complaints, but has seen them and assessed their substance. The Company believes that the allegations in these complaints are without merit, and it intends to defend itself vigorously against these actions.



MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2016

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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, 2016 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 28, 2017. All dollar amounts herein are expressed in Canadian dollars, unless otherwise specified.

This MD&A contains certain forward-looking information and forward-looking statements within the meaning of applicable Canadian securities laws and forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements describe our future plans, strategies, expectations and objectives, and are generally, but not always, identifiable by use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology.

Forward-looking statements contained or incorporated by reference into this MD&A include, without limitation, statements regarding:

- the outcome of our multi-dimensional strategy to address the United States Environmental Protection Agency's ("EPA") pre-emptive regulatory action under Section 404(c) of the *Clean Water Act* (the "CWA") and our plans to prepare the Pebble Project (as hereinafter defined) to initiate federal and state permitting under the *National Environmental Policy Act* (the "NEPA") (the "Multi-dimensional Strategy");
- the outcome of the legal and direct discussions, including possible mediation proceedings that we are engaged in with the EPA and any future actions that may or may not be taken by the EPA;
- the outcome of any other legal proceedings in which we are engaged;
- the impact of any change in the administration of the EPA resulting from the new federal administration in Washington, DC;
- our ability to proceed with applications for federal and state permitting under the CWA and the NEPA;
- our expectations regarding the potential for securing the necessary permitting of a mine at the Pebble Project;
- our expected financial performance in future periods;
- our plan of operations, including our plans to carry out and finance the Multi-dimensional Strategy activities, exploration and development activities, legal and direct discussion, and possible mediation proceedings with the EPA;
- our ability to raise capital for the Multi-dimensional Strategy activities, exploration and development activities;
- our expectations regarding the exploration and development potential of the Pebble Project; and
- factors relating to our investment decisions.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. We believe that the assumptions and expectations reflected in such forward-looking information are reasonable.

Key assumptions upon which the Company's forward-looking information are based include:

- that we will be able to secure sufficient capital necessary for the Multi-dimensional Strategy activities, the outcome of litigation against and direct discussions, including possible mediation with the EPA, continued environmental assessment and permitting activities and engineering work which must be completed prior to any potential development of the Pebble Project which would then require engineering and financing in order to advance to ultimate construction;
- we will ultimately have the opportunity to proceed with permit application preparations under the CWA and NEPA for the Pebble Project;
- that we will ultimately be able to demonstrate that a mine at the Pebble Project can be developed and operated in an environmentally sound and socially responsible manner, meeting all relevant federal, state and local regulatory requirements so that we will be ultimately able to obtain permits authorizing construction of a mine at the Pebble Project;
- that the market prices of copper, gold, molybdenum and silver will not significantly decline or stay depressed for a lengthy period of time;
- that our key personnel will continue their employment with us; and
- that we will continue to be able to secure minimal adequate financing on acceptable terms.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Forward looking statements are also subject to risks and uncertainties facing our business, any of which could have a material impact on our outlook.

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

- a negative outcome of the Multi-dimensional Strategy, including legal and political challenges with which we are engaged regarding the Pebble Project, which would have a material adverse effect on us;
- an inability to ultimately obtain permitting for a mine at the Pebble Project;
- an inability to continue to fund the Multi-dimensional Strategy, exploration and development activities and other operating costs;
- the highly cyclical and speculative nature of the mineral resource exploration business;
- the pre-development stage economic viability and technical uncertainties of the Pebble Project and the lack of known reserves on the Pebble Project;
- an inability to recover even the financial statement carrying values of the Pebble Project if we cease to continue on a going concern basis;
- the potential for loss of the services of key executive officers;
- a history of, and expectation of further, financial losses from operations impacting our ability to continue on a going concern basis;
- the volatility of copper, gold, molybdenum and silver prices and mining share prices;
- the inherent risk involved in the exploration, development and production of minerals, and the presence of unknown geological and other physical and environmental hazards at the Pebble Project;
- the potential for changes in, or the introduction of new, government regulations relating to mining, including laws and regulations relating to the protection of the environment and project legal titles;
- potential claims by third parties to titles or rights involving the Pebble Project;
- the possible inability to insure our operations against all risks;
- the highly competitive nature of the mining business;
- the potential equity dilution to current shareholders from future equity financings; and
- that we have never paid dividends and will not do so in the foreseeable future.

While the effort was made to list the primary risk factors, this list should not be considered exhaustive of the factors that may affect any of our forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements or information due to a variety of risks, uncertainties and other factors, including, without limitation, the risks and uncertainties described above and otherwise contained herein.

Our forward-looking statements and risk factors are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should appreciate the inherent uncertainty of, and not place undue reliance on forward-looking information. We do not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws.

During the period 2007 to 2013, a major part of the project expenditures were on exploration programs, resource estimates, environmental data collection and technical studies, with a significant portion spent on engineering of various possible mine development models, as well as related infrastructure, power and transportation systems. These costs are not reflected in the Company's asset accounts as they were largely incurred by third parties or are required to be expensed. The technical and engineering studies that were completed relating to mine-site and infrastructure development are not considered to be current or necessarily representative of management's current understanding of the most likely development scenario for the Project. Accordingly, the Company is uncertain whether it can realize significant value from this prior work. Environmental baseline studies and data, as well as geological information from exploration, remain important information available to the Company from this period in continuing its advancement of the Project.

For more information on the Company, investors should review the Company's 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 a 100% interest in mining claims on State of Alaska land in southwest Alaska, USA ("US"). The claims are part of or in the vicinity of the Pebble Copper-Gold-Molybdenum-Silver Project (the "Pebble Project" or “Pebble”). The Company’s Alaska mineral resource exploration business is operated through an Alaskan registered limited partnership, the Pebble Limited Partnership (the "Pebble Partnership"), in which the Company owns a 100% interest.

The Pebble Project is an initiative to develop one of the world’s most important mineral resources, as measured by aggregate contained metals. The current estimate of these mineral resources at a 0.30% copper equivalent (CuEQ)[1] cut-off grade comprise:

- 6.44 billion tonnes in the combined Measured and Indicated categories at a grade of 0.40% copper, 0.34 g/t gold, 240 ppm molybdenum and 1.66 g/t silver, containing 57 billion pounds of copper, 70 million ounces of gold, 3.4 billion pounds of molybdenum and 344 million ounces of silver; and

- 4.46 billion tonnes in the Inferred category at a grade of 0.25% copper, 0.26 g/t gold, 222 ppm molybdenum and 1.19 g/t silver, containing 24.5 billion pounds of copper, 37 million ounces of gold, 2.2 billion pounds of molybdenum and 170 million ounces of silver.

Mineralization indicating the presence of the Pebble deposit was discovered by a prior operator in 1987, and by 1997 an initial outline of the deposit had been identified. Northern Dynasty acquired the right to earn an interest in the Pebble property in 2001. Exploration since that time has led to significant expansion of the Pebble deposit, including the discovery of a substantial volume of higher grade mineralization in the eastern part of the deposit. Comprehensive deposit delineation, environmental, socioeconomic and engineering studies of the Pebble deposit began in 2004. A number of other occurrences of copper, gold and molybdenum have also been identified along the extensive northeast-trending mineralized system that underlies the property. The potential of these earlier-stage prospects has not yet been fully explored.

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[1] For additional details, see section 1.2.1 below.

From 2001 when Northern Dynasty's involvement began to December 31, 2016, a total of $814 million (US$758 million) has been invested to advance the Pebble Project.[2]

In February 2014, the US Environmental Protection Agency ("EPA") announced the initiation of a pre-emptive regulatory action under the Clean Water Act ("CWA") to consider restriction or a prohibition on mining activities associated with the Pebble deposit. Much of the Company's efforts since that time have been focused on legal and other initiatives to ward off this action, and ensure the Pebble Project can proceed into normal course permitting unencumbered by any extraordinary development restrictions.

In 2016, work by Northern Dynasty and the Pebble Partnership concentrated on three key activities:

- advancing a Multi-dimensional Strategy, including litigation as described in section 1.2.1.2 below, to address the EPA's pre-emptive regulatory action under Section 404(c) of the CWA;
- maintaining an active corporate presence in Alaska in order to advance relationships with political and regulatory offices of government, Alaska Native partners and other stakeholder groups; and
- working toward securing a transaction with a potential partner(s) to further advance the Pebble Project.

On October 27, 2016, the Pebble Partnership and the EPA ("the parties") filed a joint Notice in federal court stating their intent to enter into mediation in an effort to resolve ongoing litigation under the Federal Advisory Committee Act ("FACA"), as described in section 1.2.1.2 Legal Matters below. On December 30, 2016, the parties filed a joint Notice in federal court staying the ongoing FACA litigation until March 20, 2017 and, on that date, the parties filed a Joint Motion in federal court to extend a stay of proceedings in ongoing litigation under FACA to May 4, 2017 in the interest of resolving the matter.

The Company has made substantial progress in recent discussions with the EPA and intends to continue negotiating the matter directly, rather than through mediation. Government representatives are actively engaged in these discussions and, along with the Pebble Partnership, are focused on achieving a resolution that will be agreeable to both parties. In the meantime, the Court's Preliminary Injunction of November 25, 2014, will remain in effect for the duration of any stay.

In 2017, the Company plans to:

- continue to advance the Multi-dimensional Strategy to address the EPA's pre-emptive CWA regulatory action with the goal that the Pebble Project will be able to initiate federal and state permitting under the National Environmental Policy Act ("NEPA") unencumbered by any extraordinary development restrictions imposed by the EPA;

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[2] Of this, approximately $595 million (US$573 million) was provided by a wholly-owned subsidiary of Anglo American plc ("Anglo American") which participated in the Pebble Partnership from 2007 to 2013, and the remainder was financed by Northern Dynasty. During the period 2007 to 2013, a major part of the expenditures were on exploration programs, resource estimates, environmental data collection and technical studies, with a significant portion spent on engineering of various possible mine development models, as well as related infrastructure, power and transportation systems. The technical and engineering studies that were completed relating to mine-site and infrastructure development are not considered to be current or necessarily representative of management's current understanding of the most likely development scenario for the Project. Accordingly, the Company is uncertain whether it can realize significant value from this prior work. Environmental baseline studies and data, as well as geological information from exploration, remain important information available to the Company from this period in continuing its advancement of the Project.

- maintain an active corporate presence in Alaska to advance relationships with political and regulatory offices of government (both in Alaska and Washington, D.C.), Alaska Native partners and broader stakeholder relationships;

- if either the Multi-dimensional Strategy is successful or the EPA changes it position with the result that permit applications can proceed, prepare documentation to initiate federal and state permitting under the CWA and the NEPA. In the event permit applications can proceed, the Company plans to undertake environmental monitoring, engineering and environmental studies, field investigations and related technical studies to finalize a proposed development plan, in order to prepare documentation to initiate federal and state permitting;

- maintain the Pebble Project and Pebble claims in good standing; and

- continue to seek potential partner(s) to further advance the Pebble Project.

The current Multi-dimensional Strategy may be impacted by the change in the leadership of the EPA that was completed in the first quarter of 2017 as a result of the new federal administration in Washington, DC. Through the Pebble Partnership, the Company has had preliminary discussions with certain members of the new administration and believes, based on these discussions and other public statements, that there is a possibility that the new leadership of the EPA will reconsider its position with respect to the EPA's previously proposed pre-emptive action under Section 404(c) of the CWA. This would allow the Pebble Project to proceed with the permitting process. These discussions are, however, not binding and there is no assurance that this change of leadership will result in the EPA reversing its position. In addition, on February 22, 2017, the US House Committee on Science, Space and Technology recommended that the new EPA Administrator rescind the federal agency's pre-emptive Section 404(c) action. As of the date of this MD&A, there has not yet been a formal response to this recommendation.

At this time, the Pebble Partnership is still planning to remain engaged in direct discussions, including possible mediation with the EPA. There can also be no assurance of the results of the discussion and possible mediation with the EPA. In the event that there is a change in the EPA's position that results in Pebble being able to proceed into the permitting process, it is anticipated that (i) the Multi-dimensional Strategy will change, as the key objective of this strategy will have been met, however, political and stakeholder outreach efforts will continue; (ii) the Pebble Partnership will execute technical studies and prepare documentation to initiate applications for federal and state permitting under the CWA and the NEPA; and (iii) the Company may re-direct some of its efforts on the Multi-dimensional Strategy to these permitting activities. In the event that there is no change in the EPA position, then the Multi-dimensional Strategy and the related discussion and possible mediation proceedings with the EPA will continue. Even if the dealings with the EPA are successful and the permitting process for the Pebble Project commences, there can be no assurance that the permits required to build and operate the Pebble Project will be successfully secured.

Corporate

As at December 31, 2016, the Company has $7.2 million in cash and cash equivalents for its operating requirements.

Subsequent to December 31, 2016, the Company received US$37.44 million in a bought deal offering of 20,240,000 common shares at US$1.85 per common share.

The Company has prioritized the allocation of available financial resources in order to meet key corporate and Pebble Project expenditure requirements for at least the next twelve months. Although the Company will seek financing as necessary to advance its programs, there can be no assurances that it will be successful in obtaining additional financing. If the Company is unable to raise the necessary capital resources to meet obligations as they come due, the Company will at some point have to reduce or curtail its operations.

1.2.1 Pebble Project

1.2.1.1 Technical Information

The Pebble property ("Pebble") is located in southwest Alaska, approximately 17 miles (27 kilometers) from the villages of Iliamna and Newhalen, and approximately 200 miles (320 kilometers) southwest of the city of Anchorage. The property consists of 2,402 mineral claims. Situated approximately 1,000 feet above sea-level and 65 miles (100 kilometers) from tidewater on Cook Inlet, the site conditions are favorable for sound mine site and infrastructure development.

Mineral Resources

The current estimate of the mineral resources in the Pebble deposit, effective date December 2014, is based on drilling to the end of 2013 and includes approximately 59,000 assays obtained from 699 drill holes. The resource was estimated using ordinary kriging by David Gaunt, P.Geo., a qualified person who is not independent of Northern Dynasty. A base case cut-off of 0.3% CuEq is highlighted.

Pebble Project Mineral Resources

Cut-off CuEq %	CuEq %	Tonnes	Cu (%)	Au (g/t)	Mo (ppm)	Ag (g/t)	Cu Blbs	Au Moz	Mo Blbs	Ag Moz
Measured										
0.3	**0.65**	**527,000,000**	**0.33**	**0.35**	**178**	**1.66**	**3.83**	**5.93**	**0.21**	**28.13**
0.4	0.66	508,000,000	0.34	0.36	180	1.68	3.80	5.88	0.20	27.42
0.6	0.77	279,000,000	0.40	0.42	203	1.84	2.46	3.77	0.12	16.51
1.0	1.16	28,000,000	0.62	0.62	302	2.27	0.38	0.56	0.02	2.04
Indicated										
0.3	**0.77**	**5,912,000,000**	**0.41**	**0.34**	**245**	**1.66**	**53.42**	**64.62**	**3.20**	**315.50**
0.4	0.82	5,173,000,000	0.45	0.35	260	1.75	51.31	58.21	2.97	291.05
0.6	0.99	3,450,000,000	0.55	0.41	299	1.99	41.82	45.47	2.27	220.71
1.0	1.29	1,411,000,000	0.77	0.51	343	2.42	23.95	23.14	1.07	109.79
Measured + Indicated										
0.3	**0.76**	**6,439,000,000**	**0.40**	**0.34**	**240**	**1.66**	**56.76**	**70.38**	**3.40**	**343.63**
0.4	0.81	5,681,000,000	0.44	0.35	253	1.75	55.09	63.92	3.17	319.62

Cut-off CuEq %	CuEq %	Tonnes	Cu (%)	Au (g/t)	Mo (ppm)	Ag (g/t)	Cu Blbs	Au Moz	Mo Blbs	Ag Moz
0.6	0.97	3,729,000,000	0.54	0.41	291	1.98	44.38	49.15	2.39	237.37
1.0	1.29	1,439,000,000	0.76	0.51	342	2.42	24.11	23.60	1.08	111.97
Inferred										
0.3	**0.54**	**4,460,000,000**	**0.25**	**0.26**	**222**	**1.19**	**24.55**	**37.25**	**2.18**	**170.49**
0.4	0.68	2,630,000,000	0.33	0.30	266	1.39	19.14	25.38	1.55	117.58
0.6	0.89	1,290,000,000	0.48	0.37	291	1.79	13.66	15.35	0.83	74.28
1.0	1.20	360,000,000	0.69	0.45	377	2.27	5.41	5.14	0.30	25.94

Notes to the above table:

These resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards. Inferred Mineral Resources are considered to be too speculative to allow the application of technical and economic parameters to support mine planning and evaluation of the economic viability of the project. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for Preliminary Economic Assessments as defined under 43-101. It cannot be assumed that all or any part of the Inferred Resources will ever be upgraded to a higher category.

The mineral resource tabulation uses copper equivalency that incorporates the contribution of copper, gold and molybdenum. Although the estimate includes silver, it was not used as part of the copper equivalency calculation in order to facilitate comparison with previous estimates which did not consider the silver content or its potential economic contribution.

Copper equivalent calculations use metal prices of US$1.85/lb for copper, US$902/oz for gold and US$12.50/lb for molybdenum, and recoveries of 85% for copper 69.6% for gold, and 77.8% for molybdenum in the Pebble West zone and 89.3% for copper, 76.8% for gold, 83.7% for molybdenum in the Pebble East zone.

Contained metal calculations are based on 100% recoveries.

A 0.30% CuEQ cut-off is considered to be appropriate for porphyry deposit open pit mining operations in the Americas.

All mineral resource estimates, cut-offs and metallurgical recoveries are subject to change as a consequence of more detailed economic analyses that would be required in pre-feasibility and feasibility studies.

The resource estimate is constrained by a conceptual pit that was developed using a Lerchs-Grossman algorithm and is based on the parameters set out below:

Parameter		Units	Cost ($)	Value
Metal Price	Gold	$/oz	-	1,540.00
	Copper	$/lb	-	3.63
	Molybdenum	$/lb	-	12.36
Metal Recovery	Copper	%	-	89
	Gold	%	-	72
	Molybdenum	%	-	82
Operating Cost	Mining (mineralized material or waste)	$/ton mined	1.01	-
	Added haul lift from depth	$/ton/bench	0.03	-
	Process			
	– Process cost adjusted by total crushing energy	$/ton milled	4.40	-
	– Transportation	$/ton milled	0.46	-
	– Environmental	$/ton milled	0.70	-
	– G&A	$/ton milled	1.18	-

Parameter		Units	Cost ($)	Value
Block Model	Current block model	ft	-	75 x 75 x 50
Density	Mineralized material and waste rock	-	-	Block model
Pit Slope Angles	–	degrees	-	42

Additional details can be found in the technical report, entitled " *2014 Technical Report on the Pebble Project, Southwest Alaska, USA* ," authored by J. David Gaunt, PGeo., James Lang, PGeo., Eric Titley, PGeo., and Ting Lu, PEng., effective date December 31, 2014, which is filed under the Company's profile at www.sedar.com.

Environmental and Socioeconomic

Extensive environmental baseline data has been collected since 2004. The goal is to design and plan a project that protects clean water, healthy fish and wildlife populations, and other natural resources in the region.

In January 2012, the Pebble Partnership publicly released the 27,000-page Environmental Baseline Document ("EBD") for the Pebble Project, which characterizes 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 activities. The purpose of the EBD is to provide the public, regulatory agencies and the Pebble Partnership with a detailed compendium of pre-development environmental and socioeconomic conditions in the project area. Research for the Pebble EBD was conducted by more than 40 respected independent research firms, utilizing over 100 scientific experts and engineering groups, laboratories and support services. Researchers were selected for their specific areas of expertise and Alaskan experience, with cooperating government agencies participating in several studies. Information for the EBD was gathered through field studies, laboratory tests, review of government records and other third-party sources, and interviews with Alaska residents. The EBD study is available at http://pebbleresearch.com/. The Pebble Partnership also 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. In addition, a series of public presentations of the EBD findings was coordinated in more than 20 communities throughout southwest Alaska and elsewhere around the State. Public and expert review of the EBD was facilitated under the Keystone initiative[3].

The EBD encompasses data from the range of environmental and social conditions described above during the period 2004-2008 and from some disciplines in 2009. Environmental baseline data reports through 2014 are being integrated with the database from the EBD so that this information can be shared with state/federal agencies and the public as part of the future permitting process under NEPA. Environmental monitoring of the site has continued at reduced levels over the past two years.

In March 2017, the Company announced that the Pebble Partnership had selected HDR Alaska, Inc. to serve as lead regulatory and permitting consultant for the Pebble Project, with the goal of preparing necessary documentation to initiate federal and state permitting under the CWA and NEPA by the end of the year, in anticipation of a successful outcome of the Company's Multi-dimensional Strategy to address the EPA's pre-emptive regulatory action under Section 404(c) of the CWA.

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[3] An independent stakeholder dialogue process concerning the Pebble Project initiated in late 2010 by the Keystone Center – a non-profit organization specializing in facilitating stakeholder-driven consultation processes concerning contentious, science-based issues.

Community Engagement

An active program of stakeholder outreach has been undertaken at Pebble, and has included 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.

Stakeholder outreach and community engagement is ongoing, although at a reduced scale commensurate with other project activities. 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.

1.2.1.2 Legal Matters

Environmental Protection Agency and Bristol Bay Watershed Assessment

In February 2011, the EPA announced it would undertake a Bristol Bay Watershed Assessment study focusing on the potential effects of large-scale mine development in Bristol Bay and, specifically the Nushagak and Kvichak area drainages. This process was ostensibly 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 CWA to prohibit discharges of dredged or fill material in waters of the US within these drainages. However, evidence exists that the EPA may have been considering a Section 404(c) veto of the Pebble Project at least as far back as 2008 – two years before it received a petition from several Alaska Native tribes.

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 evaluated the effects of a "hypothetical project" that has neither been defined nor proposed by the Pebble Partnership, 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 – because it was 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 over a decade. The EPA also failed to adequately consider the comprehensive and detailed data that the Pebble Partnership provided as part of its 27,000-page Environmental Baseline Document (further described under Environmental Baseline Studies above).

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 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 called upon the EPA to cease such unwarranted actions until such time as a definitive proposal for the development of the Pebble deposit is submitted into the rigorous NEPA permitting process. All submissions prepared by Northern Dynasty and the Pebble Partnership with respect to the EPA's BBWA and CWA 404(c) regulatory action can be found on Northern Dynasty's website.

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, as summarized, 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 the draft report's methodology and findings, many peer review panellists 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". A list of these peer review documents can be found on the Company’s website.

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.

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.

On February 28, 2014, the EPA announced the initiation of a pre-emptive regulatory action under Section 404(c) of the CWA to consider restriction or a prohibition on mining activities associated with the Pebble deposit in order to protect aquatic resources in southwest Alaska. In late April 2014, the Pebble Partnership submitted a comprehensive response to the EPA’s February 28, 2014 notification letter.

Preliminary Injunction

In late May 2014, the Pebble Partnership filed suit in the US District Court for Alaska and sought an injunction to halt the pre-emptive regulatory action initiated by the EPA under the CWA, asserting that, in the absence of a permit application, the action exceeds the federal agency’s statutory authority and violates the Alaska Statehood Act among other federal laws. The State of Alaska and Alaska Peninsula Corporation, an Alaska Native village corporation with extensive land holdings in the Pebble Project area, later joined in the Pebble Partnership’s lawsuit against the EPA as co-plaintiffs. On September 26, 2014, a US federal court in Alaska granted the EPA’s motion to dismiss the case. This ruling did not judge the merits of the statutory authority case, it only deferred that hearing and judgment until after a final Section 404(c) determination has been made by the EPA. If or when the EPA action is deemed "final", the Pebble Partnership will pursue the underlying case. The Company also appealed the decision to grant the motion to dismiss to the 9th Circuit Court of Appeals. This appeal was denied in May 2015. The Pebble Partnership still holds the option to pursue its statutory authority case in the instance that EPA finalizes a pre-emptive regulatory action under the CWA.

Proposed Determination

On July 18, 2014, EPA Region 10 announced a "Proposed Determination" to restrict the discharge of dredged or fill material associated with mining the Pebble deposit in a 268 square mile area should that disposal result in any of the following: loss of five or more miles of streams with documented salmon occurrence; loss of 19 or more miles of streams where salmon are not documented but that are tributaries of streams with documented salmon occurrence; the loss of 1,100 or more acres of wetlands, lakes, and ponds that connect with streams with documented salmon occurrence or tributaries of those streams; and stream flow alterations greater than 20 percent of daily flow in nine or more linear miles of streams with documented salmon occurrence. Northern Dynasty management does not accept that the EPA has the statutory authority to impose conditions on development at Pebble, or any development project anywhere in Alaska or the US, prior to the formal submission of a development plan and its thorough review by federal and state agencies including development of an Environmental Impact Statement ("EIS") and review under NEPA.

On September 19, 2014, the Pebble Partnership submitted a comprehensive legal and technical response to EPA Region 10's Proposed Determination. Northern Dynasty and the Pebble Partnership believe the Proposed Determination is flawed and unsupported by the administrative record as established by the Bristol Bay Watershed Assessment, and is therefore arbitrary and capricious.

Federal Advisory Committee Act ("FACA") action

On September 3, 2014, the Pebble Partnership initiated a second action against EPA in federal district court in Alaska charging that EPA violated the FACA due to its close interactions with, and the undue influence of Environmental Non-Governmental Organizations and anti-mining activists in developing the BBWA, and with respect to its unprecedented pre-emptive regulatory action under the CWA. On September 24, 2014, the US federal court judge in Alaska released an order recognizing that the EPA agreed not to take the next step to advance its 404(c) regulatory action with respect to southwest Alaska's Pebble Project until at least January 2, 2015.

On November 24, 2014, a US federal court judge in Alaska granted the Pebble Partnership's request for a preliminary injunction in relation to the FACA case. While the preliminary injunction does not resolve the Pebble Partnership's claims that the EPA actions with respect to the BBWA and subsequent 404(c) regulatory action violated FACA, the decision permits the further discovery process of the underlying facts to enable the court to issue a final decision on the merits of the FACA case. Granting of a preliminary injunction also reflects the court's view that PLP has a likelihood of prevailing on the merits of its case. On June 4, 2015, the federal court in Alaska issued an order denying the EPA's motion to dismiss this case.

The Pebble Partnership has filed numerous requests for production of documents and has received tens of thousands of documents produced by the EPA. The Pebble Partnership has also served a number of notices of depositions for current and former EPA employees, EPA contractors and relevant third parties. More than a dozen depositions of EPA witnesses have been completed. Additionally, the Pebble Partnership has asked the Court to compel the Agency and certain third parties to produce documents that are relevant to its FACA claims and that are being improperly withheld. Should the Pebble Partnership prevail in its FACA litigation against the EPA, the federal agency may be unable to rely upon the BBWA as part of the administrative record for any regulatory action at the Pebble Project.

Mediation

On October 27, 2016, the Pebble Partnership and the EPA filed a joint Notice in federal court stating their intent to enter into mediation in an effort to resolve ongoing litigation under FACA.

On December 30, 2016, the Pebble Partnership and the EPA filed a joint Notice in federal court staying the ongoing FACA litigation until March 20, 2017 and, on that date, the parties filed a Joint Motion in federal court to extend a stay of proceedings in ongoing litigation under FACA to May 4, 2017 in the interest of resolving the matter.

To date, no mediator has been appointed in these mediation proceedings as the Company has made substantial progress in recent direct discussions with the EPA and intends to continue negotiating the matter directly, rather than through mediation. Government representatives are actively engaged in these discussions and, along with the Pebble Partnership, are focused on achieving a resolution that will be agreeable to both parties. In the meantime, the Court's Preliminary Injunction of November 25, 2014, will remain in effect for the duration of any stay.

Freedom of Information Act ("FOIA") action

On October 14, 2014, the Pebble Partnership filed suit in federal district court in Alaska charging that EPA has violated the FOIA by improperly withholding documents related to the Pebble Project, the Bristol Bay Watershed Assessment and consideration of a pre-emptive 404(c) veto under the CWA. The EPA moved for summary judgment claiming that its search for and disclosure of documents was adequate. The Pebble Partnership opposed the government's motion, pointing out several deficiencies in the EPA's search parameters and the agency's overly broad assertion of the deliberative process privilege to withhold documents. On August 24, 2015, the US federal court judge granted in part and deferred in part the EPA's motion for summary judgement on the FOIA litigation. The court accepted the EPA's position that it had made an adequate search for documents but left the matter open should the EPA not meet its obligations in the FACA litigation or if additional documents surface. Additionally, the judge ordered EPA to produce a sample of 183 partially or fully withheld documents so that it could conduct an in-camera review of the sample and test the merits of EPA's withholdings under the deliberative process privilege. Before producing this sample to the Court, EPA chose to voluntarily release 115 documents (or 63% of the sample ordered by the Court), relinquishing its claim of privilege as to these documents.

In briefings before the Court, the Pebble Partnership argued that the voluntary release of 63% of the agency's same documents conclusively demonstrated that the EPA had been over broad in its assertion of the deliberative process privilege, particularly because the content of the voluntarily released documents was not in fact deliberative. The Court agreed, finding that EPA "improperly withheld documents in full," and that "many of the documents that defendant released should have been released to begin with because the portions that defendant released were not deliberative." It then ordered the EPA to review an additional 65 documents. Of these 65 documents, the EPA voluntarily released 55 documents in whole or in part (or 85% of the documents). Given the EPA's high rate of release, the Pebble Partnership submitted a brief to the Court arguing that the EPA should be forced to review the remaining documents being withheld and arguing that judgment should not be granted to the agency at this time. The Court agreed, concluding that it had "no confidence that [EPA] has properly withheld documents, either in full or in part, pursuant to the deliberative process privilege." The Court reiterated its earlier finding that EPA had been withholding documents that "should never have been withheld to begin with." As a result, the Court ordered the Agency to re-evaluate all remaining documents EPA is withholding in response to the Pebble Partnership's January 2014 FOIA request and to submit these documents for in-camera review. After this review, the Court issued an order resolving Pebble's challenges to the remaining withholdings and forcing EPA, yet again, to produce additional documents that the agency had been improperly withholding for over two years.

Office of the EPA Inspector General ("OIG") review

Counsel for Northern Dynasty and the Pebble Partnership has submitted numerous letters to the independent OIG since January 2014, raising concerns of apprehension of bias, process irregularities and undue influence by environmental organizations in the EPA's preparation of the Bristol Bay Watershed Assessment. In response to Congressional and other requests, on May 2, 2014, the OIG announced that it would investigate the EPA's conduct in preparing *An Assessment of Potential Mining Impacts on Salmon Ecosystems of Bristol Bay, Alaska* , "to determine whether the EPA adhered to laws, regulations, policies and procedures in developing its assessment of potential mining impacts in Bristol Bay, Alaska." On January 13, 2016, the OIG published its report (the "OIG Report"). While acknowledging significant "scope limitations" in its review and subsequent OIG Report, the OIG concluded that: "we found no evidence of bias in how the EPA conducted its assessment of the Bristol Bay watershed, or that the EPA pre-determined the assessment outcome," but that an EPA Region 10 employee may have been guilty of "a possible misuse of position."

Several other investigations of EPA conduct at Pebble contradict the OIG Report. The US Congress' House Committee on Oversight and Government Reform found "that EPA employees had inappropriate contact with outside groups and failed to conduct an impartial, fact-based review of the proposed Pebble mine." In addition, a report by former United States Senator and Defense Secretary William S. Cohen and his firm (further described below), said their investigation "raise(s) serious concerns as to whether EPA orchestrated the process to reach a pre-determined outcome; had inappropriately close relationships with anti-mine advocates; and was candid about its decision-making process."

The findings of the OIG Report are not expected to materially affect the Pebble Partnership's strategy for addressing the EPA's CWA Section 404(c) regulatory action. The Company remains confident that the Pebble Project will ultimately enter federal and state permitting unencumbered by any extraordinary development restrictions.

Cohen report

In March 2015, William Cohen and his firm, The Cohen Group, assisted by the law firm DLA Piper, was retained by the Pebble Partnership to conduct an independent review of whether the EPA acted fairly in connection with its evaluation of potential mining in the Bristol Bay watershed. Secretary Cohen was requested to evaluate the fairness of EPA's actions and decisions in this matter based upon a thorough assessment of the facts and relying on his experience as a senior government official, as well as his 24 years as a member of the US Senate and House of Representatives.

A team of independent investigators employed by The Cohen Group and DLA Piper reviewed thousands of documents secured through FOIA requests and interviewed approximately 60 individuals involved with the EPA or its review of the Pebble Project. On October 6, 2015, Mr. Cohen released his report entitled *Report of an Independent Review of the United States Environmental Protection Agency's Actions in Connection with its Evaluation of Potential Mining in Alaska's Bristol Bay Watershed*. The report stated the conclusion of Mr. Cohen that he did not believe the EPA used the "fairest and most appropriate process" in its proposed pre-emptive regulatory action under the CWA.

Mr. Cohen urged policymakers to require that the permitting process under NEPA and the regulations developed by the Council on Environmental Quality (the "Permit/NEPA Process") be followed. Mr. Cohen commented that the Permit/NEPA Process is more comprehensive than the pre-emptive Section 404(c) action employed by the EPA and he could find no valid reason why that process was not used.

The Cohen report also raised a number of concerns about the EPA's Bristol Bay Watershed Assessment study and the CWA Section 404(c) regulatory action, including possible prejudice and pre-determination of outcomes by the EPA, inappropriately close relationships between certain EPA officials and anti-mine advocates, EPA's candor with respect to certain actions it took, lack of consistency between the BBWA and the proposed determination, and lack of cooperation by EPA personnel with respect to Congressional queries and FOIA requests.

Northern Dynasty does not consider the Cohen report to constitute an "expert's" report but rather considers it to constitute an informed view of the Company's treatment by the EPA expressed by a person familiar with governmental due process goals. Mr. Cohen has appeared before a Congressional committee (House Committee on Science, Space and Technology) with respect to the findings in his report.

US House Committee on Science, Space and Technology

On February 22, 2017, the US House Committee on Science, Space and Technology Chairman, Lamar Smith, sent a letter to the EPA Administrator Scott Pruit recommending that "the incoming Administration rescind the EPA's proposed determination to use Section 404(c) in a pre-emptive fashion for the Pebble Mine in Bristol Bay, Alaska. This simple action will allow a return to the long-established Clean Water Act permitting process and stop attempts by the EPA to improperly expand its authority. Moreover, it will create regulatory certainty for future development projects that will create jobs and contribute to the American economy."

Multi-dimensional Strategy

In summary, in 2016 the Pebble Partnership has advanced a Multi-dimensional Strategy to address the EPA's pre-emptive regulatory action under Section 404(c) of the CWA. The goal is to position the Pebble Project to initiate federal and state permitting under NEPA unencumbered by any extraordinary development restrictions imposed by the federal agency. This strategy includes three discrete pieces of litigation against the EPA, including:

- challenging the EPA's statutory authority to pre-emptively impose development restrictions at the Pebble Project under Section 404(c) of the CWA prior to the Pebble Partnership submitting a proposed development plan for the project or the development of an EIS under NEPA;
- alleging that the EPA violated FACA in the course of undertaking the Bristol Bay Watershed Assessment and subsequent Section 404(c) of the CWA regulatory action; and
- alleging that the EPA is unlawfully withholding relevant documentation and other information sought by the Pebble Partnership under FOIA.

In 2017, the Company intends to continue with the Multi-dimensional Strategy and the Pebble Partnership plans to engage in direct discussion, including possible mediation with the EPA. There can be no assurance of the results of the discussion and possible mediation with the EPA. Even if the dealings with the EPA are successful and the permitting process for the Pebble Project commences, there can be no assurance that the permits required to build and operate the Pebble Project will be successfully secured.

Northern Dynasty and the Pebble Partnership are represented by respected international law firm Steptoe & Johnson LLP ("Steptoe"), which for more than seven decades has been acknowledged as a leader in litigation and advocacy in Washington DC. Steptoe and the Pebble Partnership have agreed to cap legal fees related to the FACA suit and other ongoing legal matters at US$1 million to the point at which motions for summary judgment in the case have been fully argued to the court and are ripe for adjudication, expected to be in 2017. Steptoe will be due a success fee payment upon prevailing in the FACA litigation or arising from other positive outcomes (see section 1.6 for estimate of success fees payable as at December 31, 2016).

Other Matters

On February 14, 2017, short seller investment firm Kerrisdale Capital Management LLC published a negative piece (the "Kerrisdale Report") regarding the Pebble Project, which the Company is attempting to develop. On February 15 and 17, 2017, two purported shareholder class actions were filed against the Company and certain of its current officers and directors in US federal courts, specifically the Central District of California (Los Angeles) and the Southern District of New York (New York City). The cases are captioned: *Diaz v. Northern Dynasty Minerals Ltd. et al, Case No. 17-cv-01241 (C.D. Cal.)* and *Kirwin v. Northern Dynasty Minerals Ltd. et al, Case No. 17-cv-01238 (S.D.N.Y.)* . The complaints appear to rely on the claims made in the Kerrisdale Report and allege damages to a class of investors who purchased shares of the Company prior to the publication of the Kerrisdale Report and allege liability for losses pursuant to Section 10(b) of the Exchange Act of 1934 and SEC Rule 10b-5 thereunder, as well as control person liability against the individual defendants pursuant to Section 20(a) of the Exchange Act. The Company has not yet been served with either of these complaints, but has seen them and assessed their substance. The Company believes that the allegations in these complaints are without merit, and it intends to defend itself vigorously against these actions.

Kerrisdale is not a mining company and does not disclose any record of success in mining investments or issuing mining valuation or investment reports. On the contrary, Kerrisdale has a track record of aggressive short selling and activism. In contrast, Northern Dynasty's Pebble team has extensive experience in mining and a formidable track record of success in developing and operating mines internationally. The Kerrisdale Report relies on anonymous co-authors whose mining credentials, if any, Kerrisdale has not disclosed and who likewise may hold or have held short positions in Northern Dynasty. Specifically, Kerrisdale has not disclosed if these anonymous authors have any requisite technical qualifications or practical mining experience to substantiate the claims of the short report. In contrast, Northern Dynasty publicly files technical reports which have been certified by named, independent, experienced and reputable Qualified Persons (as defined by securities laws) who have certified the accuracy and completeness of these reports. An internationally recognized engineering firm conducted and compiled an extensive and independent Preliminary Assessment (also referred to as a Preliminary Economic Assessment, or "PEA") of the Pebble Project on behalf of Northern Dynasty. This PEA, published in 2011, showed the project possesses significant value. While the analyses of this assessment now require updating, it remains a source of much useful information and is available for download at www.sedar.com. The PEA shows the large mineral endowment and potential of the Pebble Project. The Kerrisdale's short report purports to develop a zero value thesis without requesting or having had access to the necessary and extensive technical, analytical, geological and economic information that Northern Dynasty's Qualified Persons used. No Kerrisdale personnel have visited the Pebble Project or had discussions with Northern Dynasty's technical team or executives.

For further information, refer to the Company's Annual Information Form for the year ended December 31, 2016 which is filed on www.sedar.com.

1.2.3 Financings

$17.1 Million Prospectus Financing

In June 2016, Northern Dynasty completed a prospectus offering of 38,000,000 units of the Company at a price of $0.45 per unit (the "Offering") for gross proceeds to the Company of approximately $17.1 million. Each Unit consists of one common share (a "Share ") and one common share purchase warrant (a "Warrant"). Each Warrant will be exercisable into one common share (a "Warrant Share") at an exercise price of $0.65 per Warrant Share for a period of five (5) years from the closing of the Offering. On the closing date, the Warrants were listed for trading on the TSX under the symbol NDM.WT.B.

In Canada, the Offering was qualified by the Company's short form base shelf prospectus dated March 7, 2016 and the Company's prospectus supplement dated May 26, 2016, as filed by the Company with the Canadian securities regulatory authorities in the Provinces of British Columbia, Alberta and Ontario.

The Units were offered in the US pursuant to a base shelf prospectus contained in the Company's registration statement on Form F-3 (the "Registration Statement") filed by the Company with the US Securities and Exchange Commission (the "Commission") under the *United States Securities Act* of 1933, as amended (the "US Securities Act"). The Registration Statement was declared effective by the Commission on March 30, 2016. On March 31, 2016, the Company filed with the Commission pursuant to Rule 424(b) under the US Securities Act the base prospectus related to the Registration Statement (the "US Base Prospectus"). On May 26, 2016, the Company filed with the Commission pursuant to Rule 424(b) under the US Securities Act a prospectus supplement relating to the Shares and Warrants. On July 15, 2016, the Company filed with the Commission pursuant to Rule 424(b) under the US Securities Act a prospectus supplement relating to the additional Shares that may be issued should the Warrants held by US investors be exercised.

The net proceeds of the Offering were to fund the Company's Multi-dimensional Strategy to address the EPA's proposed pre-emptive regulatory action under the CWA, prepare the Pebble Project to initiate federal and state permitting under NEPA, keep the project in good standing, advance a potential partner(s) transaction and for working capital and general corporate purposes.

$2 Million Private Placement

In July 2016, the Company completed a private placement of 4,444,376 units in the capital of the Company, each comprising of one share and one share purchase warrant, at a price of $0.45 per unit for gross proceeds of approximately $2 million. Each share purchase warrant is exercisable into one common share of the Company at the exercise price of $0.65 per share until June 10, 2021. The shares and warrants were subject to applicable resale restrictions, including a four month hold under Canadian legislation. Following a four-month hold period, the warrants were listed for trading under the symbol NDM.WT.B.

The proceeds are to be used for working capital purposes.

US$37.44 Million Bought Deal

In January 2017, the Company completed a bought deal offering of 20,240,000 common shares at a price of US$1.85 per unit for gross proceeds of approximately US$37.44 million. The offering was made through a syndicate of underwriters co-led by Cantor Fitzgerald Canada Corporation, TD Securities Inc. and BMO Capital Markets.

The net proceeds are to be used for (i) advancement of the Company's Multi-dimensional Strategy to address the pre-emptive regulatory action of the EPA under Section 404 (c) of the CWA; (ii) to prepare the Pebble Project for the initiation of federal and state permitting under NEPA; (iii) environmental monitoring, engineering and environmental studies, field investigations and related technical studies to finalize a proposed development plan for the Pebble Project, (iv) enhanced outreach and engagement with political and regulatory offices in the Alaska state and U.S. federal government and among Alaska Native partners and broader regional and state-wide stakeholder groups, (v) Alaskan corporate, tenure and site maintenance, (vi) general corporate purposes, and (vii) working capital requirements.

1.2.4 Market Trends

Copper prices have been variable since late 2011 and averaged lower in 2012, 2013, 2014 and 2015. Prices were variable to improving for most of 2016, then began an uptrend late in the year that has, largely, been sustained so far in 2017. The recent trend is related to current and expected disruptions in some production as well as the potential for new demand, for example, from infrastructure development in the US. The recent closing price is US$2.62/lb.

The gold price was on an uptrend over several years to 2012, then decreased in 2013. Prices were variable in 2014 and 2015, and the average annual prices decreased. Gold prices trended upward for most of 2016, with some variability from October to December which has continued in 2017. The recent closing price is US$1,257/oz.

Following increases in 2010 and 2011, molybdenum prices were variable and weakening in 2012 and 2013. Prices increased from January to August 2014, then largely decreased over the next 18 months to the end of 2015. Prices improved in the first half of 2016, then dropped slightly and have, largely, been flat since that time, with a recent price of US$6.92/lb.

Silver prices ranged from $26/oz and $35/oz between October 2011 and the end of 2012, then trended downward in 2013. Prices were variable in 2014 and 2015, with the average annual prices decreasing in both years. Prices were variable to increasing during most of 2016, then variable to decreasing late in the year. In 2017, silver prices have been variable to increasing, with a recent price of US$17.94/oz.

Average annual prices of copper, gold, molybdenum and silver for the past five years as well as the average prices so far in 2017 are shown in the table below:

Year	Average metal price [1]			
	Copper US$/lb	Gold US$/oz	Molybdenum US$/lb	Silver US$/oz
2012	3.61	1,669	12.81	31.16
2013	3.32	1,410	10.40	23.80
2014	3.14	1,276	11.91	19.08
2015	2.49	1,160	6.73	15.68
2016	2.21	1,251	6.56	17.14
2017 (to the date of this MD&A)	2.64	1,218	6.92	17.39

1. 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. Unless otherwise stated, all monetary amounts are expressed in thousands of Canadian dollars except per share amounts, which are expressed in Canadian dollars.

	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014
Total assets	$ 150,347	$ 157,704	$ 135,510
Total non-current liabilities (non-financial)	$ –	$ –	$ 1,514
Total current liabilities	$ 1,500	$ 2,724	$ 6,033
Exploration and evaluation expenses	$ 7,935	$ 8,718	$ 12,877
General and administrative expenses	6,729	8,272	9,059
Legal, accounting and audit	9,442	17,001	8,325
Share-based compensation	2,995	903	3,877
Other items(i)	(119)	(1,065)	(2,791)
Loss for the year	$ 26,982	$ 33,829	$ 31,347
Basic and diluted loss per common share	$ 0.11	$ 0.23	$ 0.33
Weighted average number of common shares outstanding ('000')	246,161	146,313	95,009

Notes

(i) Other items include interest income and expense, exchange gain or loss, other income, amounts written off and deferred income tax.

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.

Excerpts from Statements of Comprehensive Loss (Income)	**Dec 31 2016**	Sep 30 2016	Jun 30 2016	Mar 31 2016	**Dec 31 2015**	Sep 30 2015	Jun 30 2015	Mar 31 2015
Expenses								
Exploration and evaluation	$ 2,610	$ 2,006	$ 1,294	$ 2,025	$ 3,374	$ 1,786	$ 1,484	$ 2,074
General and administrative [1]	1,311	1,444	1,844	2,130	1,813	3,076	1,567	1,816
Legal, accounting and audit [2]	984	1,286	3,318	3,854	6,379	4,452	2,922	3,248
Share-based compensation	714	1,939	186	156	469	33	41	360
Other items[3]	(95)	(68)	(54)	98	373	50	(236)	(1,252)
Loss for the quarter	$ 5,524	$ 6,607	$ 6,588	$ 8,263	$ 12,408	$ 9,397	$ 5,778	$ 6,246
Basic and diluted loss per common share	$ 0.02	$ 0.02	$ 0.03	$ 0.04	$ 0.07	$ 0.07	$ 0.04	$ 0.05
Weighted average number of common shares (000s)	266,767	264,622	230,920	222,106	181,339	137,173	130,973	130,082

1. The Company did not accrue or pay CEO, CFO and directors' fees in Q1 and Q2 of 2015.

2. Primarily, legal costs incurred by the Group in response to the EPA's activities surrounding the Pebble Project.

3. Other items include interest income and expense, exchange gain or loss, gain or loss on disposal of financial assets and plant and equipment and deferred income tax (recovery) expense.

Discussion of Quarterly Trends

Exploration and evaluation expenses ("E&E") have trended down other than in Q4 2016 and Q4 2015 as the Company paid annual claim fees. E&E includes costs for Native community engagement, select environmental monitoring programs, annual fees for claims (paid in Q4 each year), site leases, land access agreements and technical studies undertaken.

General and administrative expenses ("G&A") have fluctuated based on the level of corporate and financing activities undertaken. G&A has averaged approximately $1.8 million per quarter over the period, with the exception of Q3 2015, when G&A increased mainly due to the recognition of arrear CEO, CFO and directors' fees and a 2014 bonus commitment.

Legal, accounting and audit expenses are comprised primarily of legal costs incurred by the Group in response to the EPA's activities surrounding the Pebble Project and have fluctuated in line with ongoing activities to advance the Company's Multi-dimensional Strategy to address the EPA's preemptive regulatory action as discussed in Section 1.2.1.2 *Legal Matters.*

Share-based compensation expense ("SBC") has fluctuated due to the timing and quantum of share purchase option ("option") grants and the vesting periods associated with these grants. Grants of options occurred in Q3 2016 (6,206,000 options) and Q4 2015 (3,657,500 options). In Q3 2016 SBC was also impacted by the grant of 639,031 restricted share units ("RSUs") and 458,129 deferred share units ("DSUs").

1.5 Results of Operations

The following financial data has been prepared from the Financial Statements for the year ended December 31, 2016, 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, 2016 vs. 2015

The Company recorded a decrease in loss of approximately $6.8 million due primarily to the decrease in legal, accounting and audit expenses of approximately $7.6 million and G&A of approximately $1.5 million which was offset by an increase in SBC of approximately $2.1 million.

E&E comprised mainly of the following for the year as compared to 2015, expressed in thousands of dollars:

E&E	**2016**	2015
Engineering	$ 282	$ 224
Environmental	732	907
Site activities	1,298	2,176
Socio-economic	4,186	3,963
Property fees and assessments	1,351	1,276
Other activities and travel	86	172
Total	$ 7,935	$ 8,718

E&E was approximately $0.8 million lower than 2015 due largely to the reduction in costs relating to environmental and site activities as both were impacted by demobilization and remediation activities in 2015. The Company's incurred higher socio-economic costs relating to maintaining relationships with political and regulatory offices of government, Alaska Native partners and other stakeholder groups, increased marginally by approximately $0.2 million. Annual rental fees for the Pebble claims also increased from 2015 as some claims fell into a new fee category due to age of the claims.

The following table provides a breakdown of G&A, and legal, accounting and audit expenses incurred in the year as compared to 2015, expressed in thousands of dollars:

	2016	2015
Conference and travel	$ 366	$ 369
Consulting	388	232
Insurance	417	398
Office costs, including information technology	875	1,188
Management and administration	3,842	5,009
Shareholder communication	634	759
Trust and filing	207	317
Total G&A	6,729	8,272
Legal, accounting and audit	9,442	17,001
	$ 16,171	$ 25,273

G&A decreased by approximately $1.5 million due primarily to a decrease in management and administration costs. In 2016, certain of the director fees were paid through the issue of DSUs and RSUs, the cost of which is included in SBC (see below). In 2015, the Company paid a 2014 bonus commitment. The Company however paid additional consulting fees relating to advice on various corporate matters. Legal, accounting and audit costs decreased by $7.6 million as legal fees incurred were lower than in 2015 and the Company had entered into a fixed fee arrangement with Steptoe (refer 1.2.1.2 *Legal Matters*).

SBC has fluctuated due to the timing and quantum of share purchase option grants and the vesting periods associated with these grants. SBC increased by $2.1 million in the year as the Company granted 6,206,000 options in July 2016. In 2015, 3,657,500 options were granted in October of that year. For each grant, the vesting terms are: one-third on grant date, one-third in 12 months and one-third in 24 months. SBC was also impacted by the SBC on the 639,031 RSUs issued to the Chairman, CEO and CFO (which vest in 12 months) and SBC on 458,129 DSUs issued to non-executive directors (2015 – no DSUs or RSUs were issued).

1.5.2 Financial position as at December 31, 2016 vs. December 31, 2015

The total assets of the Company decreased by $7.4 million due in large part to the appreciation in the Canadian dollar versus the US dollar which resulted in a $4.6 million decrease in the value of the Company's mineral property, plant and equipment when translated to the Company's reporting currency. As well, the Company sold its available-for-sale financial assets (refer 1.6 *Liquidity*).

1.6 Liquidity

The Company's major sources of funding has been the issuance of equity securities for cash, primarily through private placements and prospectus offerings to sophisticated investors and institutions, the issue of common shares pursuant to the exercise of share purchase options and most recently through the exercise of warrants. The Company has also acquired companies in 2015 whose primary assets were cash and equivalents through the issuance of equity securities. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

As at December 31, 2016, the Company's cash and cash equivalents were approximately $7.2 million, a decrease of approximately $0.3 million from December 31, 2015. In 2016, the Company completed financings for gross proceeds of approximately $19.1 million (refer 1.2.3 *Financings*), raised approximately $1.8 million from the sale of its available-for-sale financial assets (being shares in a listed entity which the Company received on the acquisition of Mission Gold Ltd. in 2015), received approximately $3.4 million from the exercise of warrants, received approximately $0.6 million from the exercise of options and employed approximately $24.0 million in its operating activities. Subsequent to the reporting date, the Company completed a bought deal financing and raised gross proceeds of approximately US$37.4 m (refer 1.2.3 *Financings*). Accordingly, the Company has prioritized the allocation of its available financial resources (cash at year end and funds from the forementioned financing) in order to meet key corporate and Pebble Project expenditure requirements for at least the next twelve months (refer 1.2 *Overview* and the Company's plans for 2017). Additional financing will be required to pursue any material expenditures at the Pebble Project beyond 2017. There can be no assurances that the Company will be successful in obtaining additional financing at that point. If the Company is unable to raise the necessary capital resources to meet obligations as they come due, the Company will at some point have to reduce or curtail its operations.

At December 31, 2016, the Company had working capital of approximately $6.4 million as compared to $7.9 million at December 31, 2015. The Company has no long term debt, capital lease obligations, operating leases or any other long term obligations other than those disclosed below:

The following commitments and payables (expressed in thousands) existed at December 31, 2016:

	Payments due by period as of the reporting date			
	Total	≤ 1 year	1-5 years	> 5 years
				$
Trade and other payables	**$ 1,260**	$ 1,260	$ –	–
Payables to related parties	**240**	240	–	–
Lease commitments	**695**	193	502	–
				$
Total	**$ 2,195**	$ 1,693	$ 502	-

The Company, through the Pebble Partnership, is advancing its Multi-dimensional Strategy to address the EPA's pre-emptive regulatory action under Section 404(c) of the CWA, including through litigation against the EPA, contesting the EPA's statutory authority to act pre-emptively under the CWA, and alleging violation of FACA and the unlawful withholding of documentation under FOIA. The Company has a contingent liability for additional legal fees and costs that may be due to the Company's counsel should there be a successful outcome or settlement. However, the Company is unable to estimate or determine the length of time that each of the legal initiatives mentioned above will take to advance to specific milestone events or final conclusion. As of the reporting date of the Financial Statements, if there was a favourable outcome or settlement, the Company estimates there would potentially be additional legal fees of approximately $20.2 million (US$15.1 million at closing Bank of Canada rate on December 31, 2016, of $1.3427 per US$1) payable by the Company which would be payable in three equal tranches over three years.

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 routine site and office leases (included in table above).

1.7 Capital Resources

The Company's capital resources consist of its cash reserves. As of December 31, 2016, the Company had no long term debt or commitments for material capital expenditures.

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

Transactions with Hunter Dickinson Services Inc. ("HDSI")

Hunter Dickinson Inc. ("HDI") and its wholly owned subsidiary, HDSI are private companies established by a group of mining professionals engaged in advancing and developing mineral properties for a number of private and publicly-listed exploration companies, one of which is the Company.

Current directors of the Company namely Robert Dickinson and Ron Thiessen are active members of the HDI Board of Directors. Marchand Snyman, the Company's CFO, is also an active member of the HDI Board of Directors. Other key management personnel of the Company – Doug Allen, Stephen Hodgson, Bruce Jenkins, Sean Magee and Trevor Thomas – are active members of HDI's senior management team.

The business purpose of the related party relationship

HDSI provides technical, geological, corporate communications, regulatory compliance, administrative and management services to the Company, on an as-needed and as-requested basis from the Company.

HDSI also incurs third party costs on behalf of the Company. Such third party costs include, for example, directors and officers insurance, travel, conferences, and technology services.

As a result of this relationship with HDSI, the Company has ready access to a range of diverse and specialized expertise on a regular basis, without having to engage or hire full-time experts. The Company benefits from the economies of scale created by HDSI.

The measurement basis used

The Company procures services from HDSI pursuant to an agreement (the "Services Agreement") dated July 2, 2010 whereby HDSI agreed to provide technical, geological, corporate communications, administrative and management services to the Company. A copy of the Services Agreement is publicly available under the Company's profile at www.sedar.com.

Services from HDSI are provided on a non-exclusive basis as required and as requested by the Company. The Company is not obligated to acquire any minimum amount of services from HDSI. The fees for services is determined based on an agreed upon charge-out rate for each employee performing the service and the time spent by the employee. The charge-out rate also includes overhead costs such as office rent, information technology services and administrative support. Such charge-out rates are agreed and set annually in advance.

Third party expenses are billed at cost, without any markup.

Ongoing contractual or other commitments resulting from the related party relationship

There are no ongoing contractual or other commitments resulting from the Company's transactions with HDSI, other than the payment for services already rendered and billed. The agreement may be terminated upon 60 days' notice from either the Company or HDSI.

Transactions during the Reporting Period and Balances with HDSI at the end of the Reporting Period

Disclosure as to transactions with HDSI and any amounts due to or from HDSI is provided in Note 8(b) in the notes to the Financial Statements which accompany this MD&A and which are available under the Company's profile at www.sedar.com.

Key Management Personnel

The required disclosure for the remuneration of the Company's key management personnel is provided in Note 8(a) in the notes to the Financial Statements which accompany this MD&A and which are available under the Company's profile at www.sedar.com.

1.10 Fourth Quarter 2016 vs. 2015

The Company recorded a $6.7 million decrease in loss to $5.7 million, primarily due to a decrease in legal expenses as discussed herein.

E&E comprised mainly of the following during the three months ended December 31, 2016 as compared to the prior year quarter, expressed in thousands of dollars:

E&E	**2016**	2015
Engineering	$ 16	$ 27
Environmental	194	256
Site activities	228	726
Socio-economic	798	1,078
Property fees and assessments	1,351	1,276
Other activities and travel	23	11
Total	$ 2,610	$ 3,374

E&E was approximately $0.8 million lower than 2015 as site activities were reduced and socioeconomic costs relating to relationships with political and regulatory offices of government, Alaska Native partners and other stakeholder groups were lower. The Company however, incurred higher rental payments for claims. In 2015, E&E was impacted by and the completion of demobilization and remediation activities at site.

The following G&A, and legal, accounting and audit expenses were incurred during the three months ended December 31, 2016 as compared to 2015, expressed in thousands of dollars:

		2016		2015
Conference and travel	$	75	$	77
Consulting		18		61
Insurance		101		105
Office costs		223		207
Management and administration		716		1,127
Shareholder communication		137		184
Trust and filing		41		52
Total G&A		1,311		1,813
Legal, accounting and audit		984		6,379
	$	2,295	$	8,192

G&A decreased by approximately $0.5 million due primarily to lower management and administration costs. Legal, accounting and audit costs decreased by approximately $5.4 million as less time was incurred by legal counsel and the Company had entered into a fixed fee arrangement with Steptoe (refer 1.2.1.2 *Legal Matters*).

1.11 Proposed Transactions

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

1.12 Critical Accounting Estimates

The required disclosure is provided in Note 2 in the notes to the Financial Statements which accompany this MD&A and which are available under the Company's profile at www.sedar.com.

1.13 Changes in Accounting Policies including Initial Adoption

The required disclosure is provided in Note 2 in the notes to the Financial Statements which accompany this MD&A and which are available under the Company's profile at www.sedar.com.

1.14 Financial Instruments and Other Instruments

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 ($nil at December 31, 2016) and amounts receivable. The Company 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 as and when required. 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, 2016. Amounts receivable include receivable balances with government agencies, prepaid expenses and refundable deposits. Management has also concluded that there is no objective evidence of impairment to the Company's amounts 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: the Pebble Partnership, Pebble Services Inc. and U5 Resources Inc. have the US dollar as functional currency; and certain of the Company's corporate expenses are incurred in US dollars. The fluctuation of the US dollar in relation to the Canadian dollar has an impact upon the losses incurred by the Company as well as the value of the Company's assets and total shareholders' equity as the Company's functional and presentation currency is the Canadian dollar. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

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 the 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, 2016.

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, 2016.

Commodity price risk

While the value of the Company's Pebble Project, held through its 100% interest in the Pebble Partnership, is related to the price of copper, gold, molybdenum and silver 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.

Copper, gold, molybdenum and silver 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 currently consists of equity, comprising share capital and reserves, net of accumulated deficit.

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

1.15 Other MD&A Requirements

Additional information relating to the Company, including the Company's 2016 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 as of the date of this MD&A is shown in the following table:

	Number
Common shares issued and outstanding	298,787,573
Share options pursuant to the Company's incentive plan	14,867,331
Deferred share units	458,129
Restricted share units	639,031
Warrants and non-incentive plan options [1]	47,311,472

Notes:

1. Non-incentive plan options were issued on the acquisition of Cannon Point in October 2015. Warrants were issued pursuant to the acquisition of Mission Gold in December 2015, the prospectus financing in June 2016 and the private placement in July 2016.

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, 2016. In making the assessment, it used the criteria set forth in the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their assessment, management has concluded that, as of December 31, 2016, the Company's ICFR was effective based on those criteria.

1.15.4 Changes in Internal Control over Financial Reporting

There has been no change in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

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 their entire investment. The risks associated with Northern Dynasty's business include:

In the event that we are unsuccessful in our litigation against the EPA, the EPA refuses to withdraw its regulatory action or we are otherwise unable to reach a settlement with the EPA, we may never be able to proceed with permitting with respect to the pebble project.

The principal risk currently facing the Company is that we may be unable to resolve our ongoing issues with the EPA with respect to its pre-emptive regulatory action under Section 404(c) of the CWA. While we believe our position has merit, the proceedings have been lengthy and have required us to expend substantial funds and time.

There is no assurance that there will be any change in the position taken by the EPA with respect to its pre-emptive regulatory action under Section 404(c) of the CWA resulting from the new federal administration in Washington, DC and the resulting change in the leadership of the EPA.

There has recently been a change in the leadership of the EPA resulting from the appointment of a new administrator of the EPA by the new federal administration in Washington, DC. There is no assurance that this change of leadership will result in the EPA reversing its position with respect the EPA's pre-emptive regulatory action under Section 404(c) of the CWA or otherwise enable the Company to proceed with its permit application process. The Company can provide no assurance with respect to the reaching or timing of a resolution, if any, with the EPA or with respect to other matters relating to the EPA. Even if the current issues with the EPA are resolved, there is no assurance that the Company will be successful in obtaining the required permits to proceed with the development of the Pebble Project.

Inability to Ultimately Achieve Mine Permitting and Build a Mine at the Pebble Project.

Notwithstanding any possible negotiated or other settlement with the EPA or a change in the EPA's position that enables us to proceed with our permit applications, the Company may ultimately be unable to secure the necessary permits under United States Federal and Alaskan State laws to build and operate a mine at the Pebble Project. There is no assurance that the EPA will not seek to undertake future regulatory action to impede or restrict the Pebble Project. In addition, there are prominent and well organized opponents of the Pebble Project and the Company may be unable, even if we present solid scientific and technical evidence of risk mitigation, to overcome such opposition and convince governmental authorities that a mine should be permitted at the Pebble Project. The Company faces not only the permitting and regulatory issues typical of companies seeking to build a mine, but additional public and regulatory scrutiny due to its location and likely size. Accordingly, there is no assurance that the Company will obtain the required permits even if the current issues with the EPA are resolved and the Company is able to proceed with the permit application process. In the ordinary course the Company's permitting process would first involve filing CWA 404 permit applications with the US Army Corps of Engineers, which would trigger an EIS process under NEPA. The EIS process under NEPA, and the requirement for the Company to secure a broad range or other permits and authorizations from multiple federal and state regulatory agencies will take several years. After all permits are in hand, a number of years would be required to finance and build a mine and commence operations. During these periods, the Company would likely have no income and so would require additional financing to continue its operations. Unless and until we build a mine at the Pebble Project we will be unable to achieve revenues from operations and may not be able to sell or otherwise recover our investment in the Pebble Project, which would have a material adverse effect on the Company and an investment in the Company's common shares.

Negative Operating Cash Flow

The Company currently has a negative operating cash flow and will continue to have that for the foreseeable future. Accordingly, the Company will require substantial additional capital in order to fund its future exploration and development activities. The Company does not have any arrangements in place for this funding and there is no assurance that such funding will be achieved when required. Any failure to obtain additional financing or failure to achieve profitability and positive operating cash flows will have a material adverse effect on its financial condition and results of operations.

Risk of Secure Title or Property Interest

There can be no certainty that title to any property interest acquired by the Company or any of its subsidiaries is without defects. Although the Company has taken reasonable precautions to ensure that legal title to its properties is properly documented, there can be no assurance that its property interests may not be challenged or impugned. Such property interests may be subject to prior unregistered agreements or transfers or other land claims, and title may be affected by undetected defects and adverse laws and regulations.

The Pebble Partnership's mineral concessions at Pebble are located on State of Alaska lands specifically designated for mineral exploration and development. Alaska is a stable jurisdiction with a well-developed regulatory and legal framework for resource development and public lands management, a strong commitment to the rule of law and lengthy track record for encouraging investment in the development if its land and natural resources.

The Pebble Project is Subject to Political and Environmental Regulatory Opposition

As is typical for a large scale mining project, the Pebble Project faces organized opposition from certain individuals and organizations who are motivated to preclude any possible mining in the Bristol Bay Watershed (the "BBW"). The BBW is an important wildlife and salmon habitat area. The EPA 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. Accordingly, one of the greatest risks to the Pebble Project is seen to be political/permitting risk which may ultimately preclude construction of a mine at the Pebble Project. Opposition may include legal challenges to exploration and development permits, which may delay or halt development. Other tactics may also be employed by opposition groups to delay or frustrate development at Pebble, included political and public advocacy, electoral strategies, media and public outreach campaigns and protest activity.

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 and feasibility evaluation project 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 NI 43-101. These resource 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 SEC 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, 2016, Northern Dynasty had working capital of approximately $6.4 million. Northern Dynasty has prioritized the allocation of available financial resources in order to meet key corporate and Pebble Project expenditure requirements in the near term. Additional financing will be required for continued corporate expenditures and expenditures at the Pebble Project. 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 its operating costs, 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. Refer also to discussion in 1.6 *Liquidity*.

As the Pebble Project is Northern Dynasty’s only mineral property interest, the failure to establish that the Pebble Project possesses commercially viable and legally mineable deposits of ore may 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 only mineral project. Northern Dynasty's principal business objective is to carry out further exploration and related activities to establish whether the Pebble Project possesses 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 adversely impact the 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, molybdenum and silver 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 for which it explores. The prices of copper, gold, molybdenum and silver 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, molybdenum and silver 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, molybdenum and silver have fluctuated in recent years, and future significant price declines could cause investors to be unprepared to finance exploration of copper, gold, molybdenum and silver, with the result that Northern Dynasty may not have sufficient financing with which to fund its exploration activities.

Mining is inherently dangerous and subject to conditions or events beyond the Company's control, which could have a material adverse effect on the Company's business

Hazards such as fire, explosion, floods, structural collapses, industrial accidents, unusual or unexpected geological conditions, ground control problems, power outages, inclement weather, seismic activity, cave-ins and mechanical equipment failure are inherent risks in the Company's exploration, development and mining operations. These and other hazards may cause injuries or death to employees, contractors or other persons at the Company's mineral properties, severe damage to and destruction of the Company's property, plant and equipment and mineral properties, and contamination of, or damage to, the environment, and may result in the suspension of the Company's exploration and development activities and any future production activities. Safety measures implemented by the Company may not be successful in preventing or mitigating future accidents.

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 considerable resources and changes to these requirements could significantly increase the costs of 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 reclamation costs

Government regulations relating to mineral rights tenure, permission to disturb areas and the right to operate can adversely affect Northern Dynasty. Northern Dynasty and the Pebble Partnership may not be able to obtain all necessary licenses and permits that may be required to carry out exploration at our projects. Obtaining the necessary governmental permits is a complex, time-consuming and costly process. The duration and success of efforts to obtain permits are contingent upon many variables not within our control. Obtaining environmental permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed those that we previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that we would not proceed with the development or operation of a mine at the Pebble Project. Refer to further discussion in *1.2.1.2 Legal Matters.*

Litigation

The Company is currently and may in future be subject to legal proceedings, including with regard to actions in 1.2.1.2 *Other Matters* in the pursuit of its Pebble Project. Given the uncertain nature of these actions, the Company cannot reasonably predict the outcome thereof. If the Company is unable to resolve these matters favorably it will likely have a material adverse effect of the Company. Please refer to the Risk Factor regarding the EPA litigation above.

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

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 HDSI (refer 1.9 *Transactions with RelatedParties*). 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 Pebble Project. There can be no assurance that the services of all necessary key personnel will be available when required or 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 loss of services of key personnel could become such that we would not proceed with the development or operation of a mine at the Pebble Project.

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 needs to sell Northern Dynasty shares.

Northern Dynasty Will Require Additional Funding to Meet the Development Objectives of the Pebble Project.

Northern Dynasty will need to raise additional financing (share issuances, debt or asset level partnering) to achieve 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 the project, 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.



ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2016

This annual information form ("AIF") is as of March 28, 2017

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Item 2. Preliminary Notes

This AIF contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Wherever possible, words such as "plans", "expects", or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify forward-looking information.

Forward-looking information in this AIF include, without limitation statements regarding:

- the outcome of our multi-dimensional strategy to address the United States Environmental Protection Agency's (the "EPA") pre-emptive regulatory action under Section 404(c) of the *Clean Water Act* (the "CWA") and our plans to prepare the Pebble Project (as hereinafter defined) to initiate federal and state permitting under the National Environmental Policy Act (the "NEPA") (the "Multi-dimensional Strategy");
- the outcome of the legal and direct discussions, including possible mediation proceedings that we are engaged in with the EPA and any future actions that may or may not be taken by the EPA;
- the outcome of any other legal proceedings in which we are engaged;
- the impact of any change in the administration of the EPA resulting from the new federal administration in Washington, DC;
- our ability to proceed with applications for federal and state permitting under the CWA and the NEPA;
- our expectations regarding the potential for securing the necessary permitting of a mine at the Pebble Project;
- our expected financial performance in future periods;
- our plan of operations, including our plans to carry out and finance the Multi-dimensional Strategy activities, exploration and development activities, legal and direct discussions, including possible mediation proceedings with the EPA;
- our ability to raise capital for the Multi-dimensional Strategy activities, exploration and development activities;
- our expectations regarding the exploration and development potential of the Pebble Project; and
- factors relating to our investment decisions.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. We believe that the assumptions and expectations reflected in such forward-looking information are reasonable.

Key assumptions upon which the Company's forward-looking information are based include:

- that we will be able to secure sufficient capital necessary for the Multi-dimensional Strategy activities, the outcome of litigation against and discussions, including possible mediation with the EPA, continued environmental assessment and permitting activities and engineering work which must be completed prior to any potential development of the Pebble Project which would then require engineering and financing in order to advance to ultimate construction;
- we will ultimately have the opportunity to proceed with permit application preparations under the CWA and NEPA for the Pebble Project;

- that the Company will ultimately be able to demonstrate that a mine at the Pebble Project can be developed and operated in an environmentally sound and socially responsible manner, meeting all relevant federal, state and local regulatory requirements so that we will be ultimately able to obtain permits authorizing construction of a mine at the Pebble Project;
- that the market prices of copper, gold, molybdenum and silver will not decline significantly or stay depressed for a lengthy period of time;
- that key personnel will continue their employment with us; and
- that we will continue to be able to secure minimum adequate financing on acceptable terms.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Forward looking statements are also subject to risks and uncertainties facing our business, any of which could have a material impact on our outlook.

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

- a negative outcome of the Multi-dimensional Strategy, including legal and political challenges with which we are engaged regarding the Pebble Project, which would have a material adverse effect on us;
- an inability to ultimately obtain permitting for a mine at the Pebble Project;
- an inability to continue to fund the Multi-dimensional Strategy, exploration and development activities and other operating costs;
- the highly cyclical and speculative nature of the mineral resource exploration business;
- the pre-development stage economic viability and technical uncertainties of the Pebble Project and the lack of known reserves on the Pebble Project;
- an inability to recover even the financial statement carrying values of the Pebble Project if we cease to continue on a going concern basis;
- the potential for loss of the services of key executive officers;
- history of, and expectation of further, financial losses from operations impacting our ability to continue on a going concern basis;
- inability to establish that the Pebble Project contains commercially viable deposits of ore;
- the volatility of gold, copper, molybdenum and silver prices;
- the inherent risk involved in the exploration, development and production of minerals, and the presence of unknown geological and other physical and environmental hazards at the Pebble Project;
- the potential for changes in, or the introduction of new, government regulations relating to mining, including laws and regulations relating to the protection of the environment and project legal titles;
- potential claims by third parties to titles or rights involving the Pebble Project;
- the unpredictability of the outcome of litigation;
- the possible inability to insure our operations against all risks;
- the highly competitive nature of the mining business;
- the potential dilution to current shareholders due to any future equity financings;
- the potential dilution to current shareholders from the exercise of share purchase options to purchase the Company's shares; and
- that we have never paid dividends and will not do so in the foreseeable future.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements or information due to a variety of risks, uncertainties and other factors, including, without limitation, the risks and uncertainties described above. See "Risk Factors" on page 33.

Our forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this AIF. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should appreciate the inherent uncertainty of, and not place undue reliance on, forward-looking information. We do not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws.

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 December 2014, 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, 2016 (based on the last business day which was December 30, 2016), as reported by the Bank of Canada for the conversion of one Canadian dollar into one United States dollar ("U.S. dollar"), was 1.3427.

Currency and Exchange Rates

On March 28, 2017, the rate of exchange of the Canadian Dollar, based on the daily *noon* rate in Canada as published by the Bank of Canada, was US$1.00 = C$1.3363. Exchange rates published by the Bank of Canada, available on its website www.bankofcanada.ca, are nominal quotations - not buying or selling rates - and are intended for statistical or analytical purposes.

The following tables set out the exchange rates, based on the daily *noon* rates in Canada as published by the Bank of Canada for the conversion of Canadian Dollars into U.S. Dollars.

	Year Ended December 31 (Canadian Dollars per U.S. Dollar)			
	2016	2015	2014	2013
Rate at end of year	$1.3427	$1.3840	$1.1601	$0.9402
Average rate for year	$1.3248	$1.2787	$1.1046	$0.9711
High for year	$1.4589	$1.3990	$1.1656	$1.0165
Low for year	$1.2544	$1.1728	$1.0639	$0.9342

Monthly High and Low Exchange Rate (Canadian Dollar per U.S. Dollar)

Month or Period	High	Low
March 2017 (to March 28, 2017)	$1.3505	$1.3316
February 2017	$1.3248	$1.3004
January 2017	$1.3438	$1.3030
December 2016	$1.3556	$1.3120
November 2016	$1.3582	$1.3337

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 pounds)
grams/tonne	0.029	= ounces (troy)/ton

Glossary

In this AIF the following terms have the meanings set forth herein:

Alkalic	Igneous rock containing a relatively high percentage of sodium and potassium feldspar; alteration can also introduce alkali minerals.
Argillic	Hydrothermal alteration of wall rock which forms clay minerals including kaolinite, smectite, illite and other species.
CuEQ	Copper Equivalent
Comminution	Reduction of solid materials from one average particle size to a smaller average particle size by crushing, grinding, cutting, vibrating, or other means.
Deportment	Assessment of how minerals contribute to grade, as each mineral is likely to behave differently to comminution, flotation or leaching.
Diorite	Grey to dark-grey igneous intrusive rock of intermediate composition, composed principally of plagioclase feldspar along with biotite, hornblende and/or pyroxene.
Element Abbreviations	Au - Gold; Ag - Silver; Al - Aluminum; Cu - Copper; Fe - Iron; Mo - Molybdenum; Na - Sodium; O - Oxygen; Pb - Lead; S - Sulphur; Zn - Zinc.
Geometallurgy	Practice of combining geology and/or geostatistics with metallurgy.
Graben	Down-dropped block of land bordered by faults.
Granodiorite	Medium- to coarse-grained acid igneous rock with quartz (>20%), plagioclase and alkali feldspar, commonly with minor hornblende and/or biotite.
Hypogene	Processes below the earth's surface which, in mineral deposits, result in precipitation of primary minerals like sulphides.

Hydrothermal mineral deposit	Any concentration of metallic minerals formed by the precipitation of solids from hot waters (hydrothermal solution). The solutions may be sourced from a magma or from deeply circulating water heated by magma.
Intrusion (batholith, dyke, pluton)	Medium to coarse grained igneous bodies which crystallized at depth within the Earth's crust. Large intrusive bodies are called batholiths; smaller bodies are plutons and linear bodies are dykes.
Leached Cap	Rock which originally contained mineralization that was subsequently removed due to weathering processes.
Locked Cycle Test	A repetitive batch flotation test used in mineral processing laboratories while developing a metallurgical flowsheet.
Monzonite	Igneous intrusive rock with approximately equal amounts of plagioclase and alkali feldspar, and less than 5% quartz by volume.
National Instrument 43- 101 ("NI 43-101")	The Canadian securities instrument which establishes disclosure standards for mineral projects of Canadian publicly-traded resource companies.
Kriging	A method of estimation of a variable value (such as metal grade) at an unmeasured location from measured values, weighted by distance and orientation, at nearby locations.
Porphyry deposit	A type of mineral deposit genetically related to igneous intrusions in which ore minerals are widely distributed, generally of low grade but commonly of large tonnage.
Potassic	Hydrothermal alteration which results in the production of potassium- bearing minerals such as biotite, muscovite or sericite, and/or orthoclase.
Pyrophyllite	Aluminosilicate hydroxide mineral that forms as a result of hydrothermal alteration or low grade metamorphism.
Sodic	In this report, refers to a type of hydrothermal alteration that contains sodium-bearing minerals, most commonly albite feldspar.
Subduction	Process by which one tectonic plate moves under another tectonic plate.
Supergene	Refers to processes which occur relatively near the surface of the earth which modify or destroy original (hypogene) minerals by oxidation and chemical weathering.
Superterrane	A group of physically connected and related geological terranes (group of related rock units).

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 and Metallurgy ("CIM") 2014. 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 "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. The Company does not claim to have any reserves at this time. These resource classifications can be more particularly described as follows:

Mineral Resource	A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.
Inferred Mineral Resource	That part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. It has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
Indicated Mineral Resource	That part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. It has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.
Measured Mineral Resource	That part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. It has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

Cautionary Notes to United States Investors Concerning Mineral Resource Estimates

This AIF uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with 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 prospectus have been prepared in accordance with NI 43-101. These standards differ significantly from the requirements of the United States Securities Exchange Commission (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 AIF 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 prospectus 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.

Item 3. Corporate Structure

Northern Dynasty 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 absorbed by the TSX Venture Exchange and herein generally "TSX-V") from 1984-1987, listed on the Toronto Stock Exchange ("TSX") from 1987-1993, and delisted from trading but continued to comply with its continuous disclosure obligations from 1993 to 1994, and thereafter listed on TSX-V from 1994 to October 30, 2007 when it again began trading on the 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, 15th 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 a wholly-owned Alaskan registered limited partnership, the Pebble Limited Partnership (the "Pebble Partnership" or "PLP"), in which the Company owns a 100% of the Pebble Partnership through an Alaskan general partnership, the Northern Dynasty Partnership, which is a partnership formed by two of its subsidiaries. An indirectly wholly-owned 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 404, 3201 C Street, Anchorage, Alaska, USA, 99503.

In this AIF, a reference to the "Company" or "Northern Dynasty" includes a reference to PLP and the Company's 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

Company Development

Northern Dynasty is a mineral exploration company focused on the exploration and advancement towards feasibility, permitting and ultimately development of the Pebble Project, a copper-gold-molybdenum mineral project located in southwest Alaska (the "**Pebble Project**" or the "**Project**"). The Pebble Project is comprised of mineral claims that are held by subsidiaries of the Pebble Partnership, a 100% wholly-owned subsidiary of Northern Dynasty.

Northern Dynasty acquired a 100% interest the Pebble Project from an Alaskan subsidiary of Teck Resources Limited ("Teck") in a series of transactions from October 2001 through to June 2006. Teck has retained certain royalties in the Pebble Project, as described in detail below under Item 5 – *Description of Business*.

The Pebble Partnership was converted into a limited partnership in July 2007 in connection with a joint venture for the Pebble Project entered into between the Company and an affiliate of Anglo American plc ("Anglo American"). From July 2007 to December 2013, approximately $595 million (US$573 million) was provided to the Pebble Partnership by the affiliate of Anglo American. A major portion of these funds were spent on exploration programs, resource estimates, environmental data collection and technical studies, with a significant portion spent on engineering of various possible mine development models and related infrastructure, power and transportation systems. These costs are not reflected in the Company's asset accounts as they were largely incurred by third parties or are required to be expensed. Whether any portion these past expenditures will prove to have significant value to the Company in future is currently unknown.

Anglo American withdrew from the Pebble Partnership effective December 10, 2013, at which time Northern Dynasty re-acquired Anglo American's 50% ownership interest in the Pebble Partnership. The Company has since that time held a 100% interest in the Pebble Partnership.

To December 31, 2016, approximately $814 million (US$758 million) [1] in expenditures have been incurred on the Pebble Project. In addition, Northern Dynasty has spent approximately $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.

Three Year History

In February 2014, the United States Environmental Protection Agency ("EPA") announced the initiation of a regulatory action under the Clean Water Act ("CWA") to consider restriction or a prohibition on mining activities associated with the Pebble deposit. Much of the Company's efforts since that time have been focused around providing information and responses to ward off this action. The background and history of the regulatory action initiated by the EPA, and our efforts to address this regulatory action, are summarized in detail below in Item 12 – *Legal Proceedings and Regulatory Actions*.

In 2015 and 2016, work by Northern Dynasty and the Pebble Partnership was concentrated on:

- advancing a Multi-dimensional Strategy to address the EPA's pre-emptive regulatory action under Section 404(c) of the CWA;
- maintaining an active corporate presence in Alaska in order to advance relationships with political and regulatory offices of government, Alaska Native partners and other stakeholder groups; and
- working toward securing a transaction with a potential partner(s) to further advance the Pebble Project.

The goal of the Multi-dimensional Strategy is to position the Pebble Project to initiate federal and state permitting under the National Environmental Policy Act ("NEPA") unencumbered by any extraordinary development restrictions imposed by the federal agency. This strategy includes three discrete pieces of litigation against the EPA, as described in more detail below in Item 12 – *Legal Proceedings and Regulatory Actions*:

- challenging the EPA's statutory authority to pre-emptively impose development restrictions at the Pebble Project under Section 404(c) of the CWA prior to the Pebble Partnership submitting a proposed development plan for the project or the development of an Environmental Impact Statement ("EIS") under NEPA;
- alleging that the EPA violated Federal Advisory Committee Act ("FACA") in the course of undertaking the Bristol Bay Watershed Assessment and subsequent Section 404(c) of the CWA regulatory action; and
- alleging that the EPA is unlawfully withholding relevant documentation and other information sought by the Pebble Partnership under Freedom of Information Act ("FOIA").

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[1] During the period 2007 to 2013, a major part of the project expenditures were on exploration programs, resource estimates, environmental data collection and technical studies, with a significant portion spent on engineering of various possible mine development models, as well as related infrastructure, power and transportation systems. As described above, these costs are not reflected in the Company's asset accounts as they were largely incurred by third parties or are required to be expensed. The technical and engineering studies that were completed relating to mine-site and infrastructure development are not considered to be current or necessarily representative of management's current understanding of the most likely development scenario for the Project. Accordingly, the Company is uncertain whether it can realize significant value from this prior work. Environmental baseline studies and data, as well as geological information from exploration, remain important information available to the Company from this period in continuing its advancement of the Project.

The Company's plans for advancement of the Multi-Dimensional Strategy in 2017 are described in detail below under Section 3 of this Item 5 – *Plans for 2017*.

The Company has completed the following financings within the past three years in order to fund its business operations, including the advancement of its Multi-Dimensional Strategy:

- in late December 2014 and early January 2015, the Company completed a financing and raised gross proceeds of approximately $15.5 million through the issuance of 35,962,735 Special Warrants, each convertible into one common share without payment of additional consideration. All these Special Warrants were automatically converted or converted into common shares by September 2015. See Item 15 Material Contracts on page 55;
- in September 2015, the Company completed a financing and raised gross proceeds of approximately $15 million through the issuance of 37,600,000 Special Warrants, each convertible into one common share without payment of additional consideration. These Special Warrants were automatically converted into common shares in November 2015. See Item 15 Material Contracts on page 55;
- in October 2015, the Company issued 12,573,292 common shares to acquire Cannon Point Resources Ltd., a company with a primary asset of $4.25 million in cash;
- in December 2015, the Company issued 27,593,341 common shares to acquire Mission Gold Ltd. ("Mission Gold"), a company with primary assets of approximately $9 million in cash and a 100% interest in a titanium project that was sold by Mission Gold to a third party as part of the transaction with Northern Dynasty. The Company also completed a private placement of 12,881,344 common shares at a price of $0.412 per share for gross proceeds of approximately $5.2 million;
- in June and July 2016, the Company completed a prospectus offering of 38,000,000 units and a private placement of 4,444,376 units respectively, in the capital of the Company. The units were priced $0.45 per unit and the Company raised gross proceeds of approximately $17.1 million and $2 million respectively. Each Unit comprised of one common share and one common share purchase warrant ("Warrant"), each exercisable into one common share of the Company at an exercise price of $0.65 per share until June10, 2021. The Warrants were listed and trade on the TSX under the symbol NDM.WT.B.; and
- in January 2017, the Company completed a bought deal offering of 20,240,000 common shares which includes the exercise in full of the Underwriter's over-allotment option, at price of US$1.85 per share for gross proceeds of approximately US$37.4 million.

Item 5. Description of Business

A. The Pebble Project

The Company's business is the exploration and advancement towards feasibility, permitting and ultimately development of the Pebble Project.

The Pebble Project Is Subject To State and Federal Laws

PLP and its subsidiaries are 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 labor and rental requirements, 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 (including a Project Description and Environmental Baseline Document) for an Environmental Impact Statement ("EIS") under NEPA, 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 US Clean Water Act, Section 404(c), the Administrator of the US 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 if 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 of the Army Corp of Engineers. The Administrator shall set forth in writing and make public his or her findings and reasons for making any determination under this subsection.

B. Technical Summary

The following disclosure is mainly summarized from the "2014 Technical Report on the Pebble Project, Southwest Alaska, USA" by J. David Gaunt, P.Geo., James Lang, P.Geo., Eric Titley, P.Geo., and Ting Lu, P.Eng., effective date December 31, 2014 ("2014 Technical Report"), and updated by Company staff. J. David Gaunt, P.Geo., James Lang, P.Geo., Eric Titley, P.Geo., and Ting Lu, P.Eng., are the qualified persons for the 2014 Technical Report and have reviewed and approved the content derived from that report. Additional information is the Technical Summary has been reviewed and approved by qualified person Stephen Hodgson, PEng., Vice President, Engineering for Northern Dynasty.

Introduction

The Pebble deposit was originally discovered in 1989 and was acquired by Northern Dynasty in 2001. Since that time, Northern Dynasty and subsequently the Pebble Limited Partnership (the "Pebble Partnership", in which Northern Dynasty currently owns a 100% interest) have conducted significant mineral exploration, environmental baseline data collection, and engineering work on the Pebble Project to advance it towards development.

Work at Pebble has led to an overall expansion of the Pebble deposit, as well as the discovery of several other mineralized occurrences along an extensive northeast-trending mineralized system underlying the property. Over one million feet of drilling has been completed on the property, a large proportion of which has been focused on the Pebble deposit.

In light of more recent stakeholder and regulatory feedback, Northern Dynasty initiated a comprehensive review of previous analyses of the Pebble Project in late 2013 and in 2014 commissioned the 2014 Technical Report to update information on the mineral resources and metallurgy for the project.

Property Description and Location

The Pebble Project is located in southwest Alaska, approximately 200 miles southwest of Anchorage, 17 miles northwest of the village of Iliamna, 160 miles northeast of Bristol Bay, and approximately 60 miles west of Cook Inlet.

Figure 1 Property Location – Pebble Project



Source: 2014 Technical Report

Northern Dynasty holds, indirectly through a wholly-owned subsidiary and wholly-owned subsidiaries of the wholly-owned Pebble Partnership, a 100% interest in a contiguous block of 2,402 mineral claims covering approximately 417 square miles (Figure 2). This includes 2,182 claims covering 364.2 square miles (including the Pebble deposit) held by Pebble Partnership subsidiaries, Pebble East Claims Corporation and Pebble West Claims Corporation; and 220 claims covering 52.5 square miles held by Northern Dynasty subsidiary U5 Resources Inc.

State mineral claims in Alaska are kept in good standing by performing annual assessment work or in lieu of assessment work by paying $100 per year per 40 acre (0.06 square mile) mineral claim, and by paying annual escalating state rentals. All of the assessment work payment obligations come due annually on August 31. Credit for excess work can be banked for a maximum of four years, and can be applied as necessary to continue to hold the claims in good standing. The Project claims have a variable amount of work credit available that can be applied in this way[1] . State rentals for 2017 are approximately US$1,020,000 and are payable no later than 90 days after the assessment work is due.

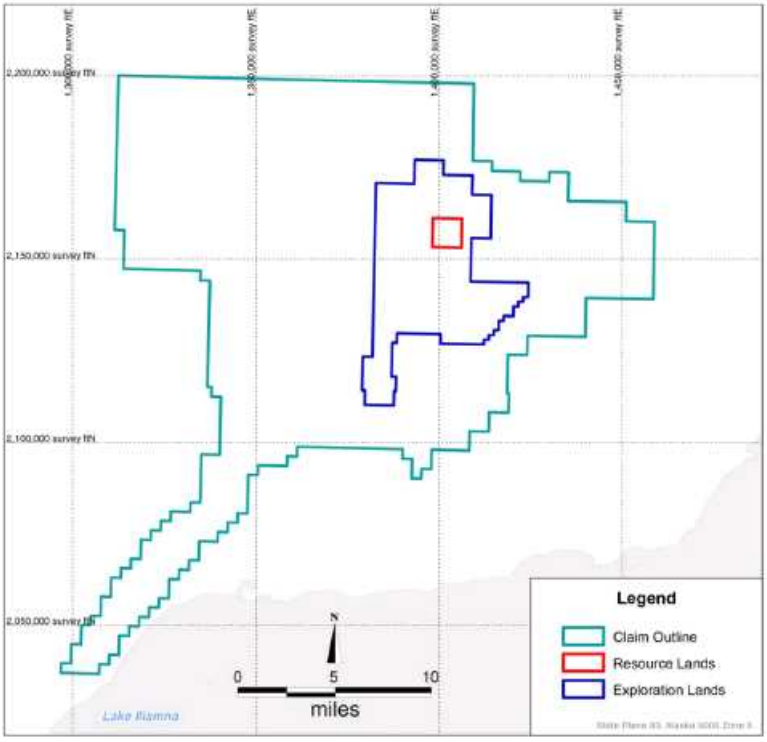
The Pebble Partnership currently does not own surface rights associated with the mineral claims that comprise the Pebble Property. All lands are held by the State of Alaska, and surface rights may be acquired from the state government once areas required for mine development have been determined and permits awarded. Permits necessary for exploration drilling and other field programs associated with pre-development assessment of the Pebble Project are applied for each year. There are no existing material environmental liabilities associated with the Pebble Project.

Figure 2 Mineral Claims – Pebble Project

Northern Dynasty acquired the Pebble Property by way of a two-part (Resource Lands and Exploration Lands) purchase option from an Alaskan subsidiary of Teck Cominco Limited (now Teck Resources Limited), which still retains a 4% pre-payback advance net profits royalty interest (after debt service) and 5% after-payback net profits interest royalty in any mine production from the Exploration Lands portion of the Pebble property as shown on the figure below.

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[2] Annual assessment work obligations for the property of some US$667,700 are due in 2017 and will be covered by banked assessment credits from work performed in 2016 and prior years.



Source: 2014 Technical Report

Accessibility, climate, local resources, infrastructure and physiography

Current access to the property is by helicopter from Iliamna. There is a modern airfield at Iliamna, with two paved 4,920 ft airstrips, that services the communities of Iliamna, Newhalen and Nondalton. The runways are suitable for DC-6 and Hercules cargo aircraft and commercial jet aircraft.

There are paved roads that connect the villages of Iliamna and Newhalen to the airport and to each other, and a partly paved, partly gravel road that extends to a proposed Newhalen River crossing near Nondalton. The property is currently not connected to any of these local communities by road; a road would be planned as part of the project design.

There is no access road that connects the communities nearest the Pebble Project to the coast on Cook Inlet. From the coast, at Williamsport on Iniskin Bay, there is an 18.6 mile state-maintained road that terminates at the east end of Iliamna Lake, where watercraft and transport barges may be used to access Iliamna. The route from Williamsport, over land to Pile Bay on Iliamna Lake, is currently used to transport bulk fuel, equipment and supplies to communities around the lake during the summer months. Also during summer, supplies are barged up the Kvichak River, approximately 43.4 miles southwest of Iliamna, from Kvichak Bay on the North Pacific Ocean.

A small run-of-river hydroelectric installation on the nearby Tazamina River provides power for the three communities in the summer months. Supplemental power generation using diesel generators is required during winter months.

Iliamna and surrounding communities have a combined population of just over 400 people. As such, there is limited local commercial infrastructure except that which services seasonal sports fishing and hunting.

The property is situated at approximately 1,000 ft above mean sea level in an area described as subarctic tundra. It is characterized by gently rolling hills and an absence of permafrost. The climate is sufficiently moderate to allow a well-planned mineral exploration program to be conducted year-round at Pebble.

Geological Setting and Mineralization

Pebble is a porphyry-style copper-gold-molybdenum-silver deposit that comprises two adjacent, contiguous, coeval hydrothermal centers called the Pebble East and Pebble West zones. Mineralization in the Pebble West zone extends from surface to depths of at least 3,000 ft whereas higher grade mineralization in the Pebble East zone extends to a depth of at least 5,810 ft but is concealed beneath an east-thickening wedge of unmineralized rock types. An important exploration target is represented by high-grade, but as yet undelineated, mineralization on the far eastern side of the deposit which was dropped 1,970 to 2,950 ft by normal faults into the northeast-trending East Graben.

The Pebble deposit formed about 90 million years ago in response to intrusion of granodiorite magmas generated by subduction of the Pacific Plate beneath the Wrangellia Superterrane. The Pebble deposit is hosted by these granodiorite intrusions and by the sedimentary and volcanic rocks of Jurassic to Cretaceous age, granodiorite and diorite sills and alkalic monzonite intrusions and associated breccias which host them.

Mineralization at Pebble is predominantly hypogene, although the Pebble West zone contains a thin zone of variably developed leached cap and underlying supergene mineralization. Disseminated and vein-hosted copper-gold-molybdenum-silver mineralization, dominated by chalcopyrite and locally accompanied by bornite, is associated with early potassic alteration in the shallow part of the Pebble East zone and with early sodic-potassic alteration in the Pebble West zone and deeper parts of the Pebble East zone. High-grade copper-gold mineralization is associated with younger pyrophyllite- and sericite-bearing subtypes of advanced argillic alteration in the Pebble East zone. The deposit is surrounded by weakly mineralized quartz-sericite-pyrite alteration; in the upper center of the deposit quartz-illite-pyrite alteration is an illite-altered relict of a mostly eroded quartz-sericite-pyrite cap to the deposit.

Exploration

Historical

Cominco Alaska, a division of Cominco Ltd. now Teck ("Cominco (Teck)") began reconnaissance exploration in the Pebble region in the mid-1980s and in 1984 discovered the Sharp Mountain gold prospect near the southern margin of the current property. Gold was discovered in quartz veins of probable Tertiary age near the peak of Sharp Mountain. Grab samples of veins in talus ranged from 0.045 oz/ton Au to 9.32 oz/ton Au and 3.0 oz/ton Ag. In 1987, examination and sampling of several prominent limonitic and hematitic alteration zones yielded anomalous gold concentrations from the Sill prospect and the Pebble discovery outcrop.

Geophysical surveys were conducted on the property between 1988 and 1997. An induced polarization ("IP") survey in 1989 at Pebble displayed response characteristics of a large porphyry-copper system. The surveys were dipole-dipole IP surveys which defined a chargeability anomaly about 31.1 square miles in extent within Cretaceous age rocks which surround the eastern to southern margins of the Kaskanak batholith. All known zones of mineralization of Cretaceous age on the Pebble property occur within the broad IP anomaly.

In 1991, baseline environmental and engineering studies were initiated and weather stations were established. A preliminary evaluation was undertaken by Cominco (Teck) in 1991, and updated in 1992. Historical estimates of the mineral resources for the Pebble deposit were completed by Cominco (Teck), most recently in 2000.

Northern Dynasty and Pebble Partnership

Between 2001 and 2006, the entire Pebble property was mapped for rock type, structure and alteration at a scale of 1:10,000, providing an important geological framework for interpretation of other exploration data. A geological map of the Pebble deposit was also constructed but, due to a paucity of outcrop, was based solely on drill hole information. The content and interpretation of district and deposit scale geological maps have not changed materially from those presented in 2009 and 2010.

A number of geophysical surveys, including IP, magnetic and other survey types were completed by Northern Dynasty and the Pebble Partnership between 2001 and 2010 to test the Pebble deposit and other occurrences on the Pebble property. Between 2001 and 2003, Northern Dynasty collected 1,026 soil samples, outlining high-contrast, coincident anomalies in gold, copper, molybdenum and other metals in an area that measures at least 5.6 miles north-south by up to 2.5 miles east-west, with strong but smaller anomalies in several outlying zones. All soil geochemical anomalies lie within the 31.1 square mile IP chargeability anomaly. Limited surficial geochemical surveys were completed in 2010 and 2011.

Drilling

Extensive drilling totalling 1,042,218 ft has been completed in 1,355 holes on the Pebble Project. These drill programs took place during 19 of the 26 years from 1988 to 2013.

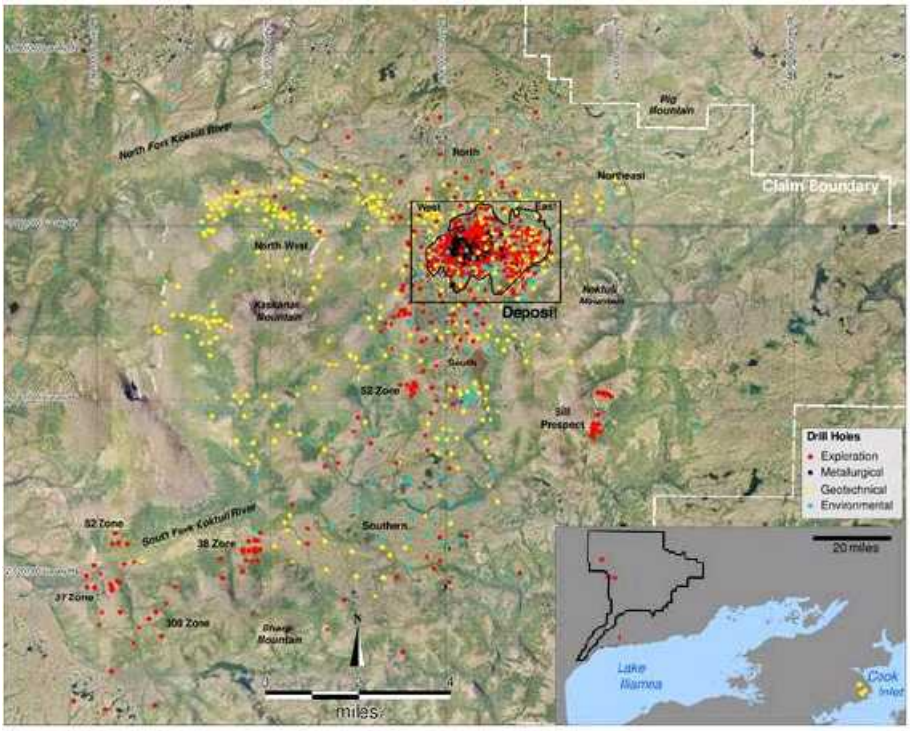
Northern Dynasty with its partners completed drilling for exploration, deposit delineation, engineering and environmental purposes between 2002 and 2013. Highlights from exploration and deposit delineation drilling since 2002 include:

- in 2002, drill testing of IP chargeability and multi-element geochemical anomalies outside of the Pebble deposit but within the larger and broader IP chargeability anomaly discovered the 38 Zone porphyry copper-gold-molybdenum deposit, the 52 Zone porphyry copper occurrence, the 37 Zone gold-copper skarn deposit, the 25 Zone gold deposit, and several small occurrences in which gold values exceeded 3.0 g/t.
- in 2003, drilling took place within and adjacent to the Pebble West zone and outside the Pebble deposit to test for extensions and new mineralization at four other zones, including the 38 Zone porphyry copper-gold-molybdenum deposit and the 37 Zone gold-copper skarn deposit.
- in 2004, 147 exploration holes were drilled in the Pebble deposit; the Pebble East zone is identified; the 308 Zone porphyry copper-gold-molybdenum deposit is discovered.
- in 2005 and 2006, drilling at Pebble East confirms its large size and higher grades of copper, gold and molybdenum.
- in 2007, 34 holes extend Pebble East to the northeast, northwest, south and southeast.
- in 2008, 31 delineation and infill holes were drilled at Pebble East. FMMUSA drilled seven exploration holes on land that is now controlled by the Pebble Partnership.
- in 2009 and 2010, delineation holes were drilled at the margins of Pebble West and exploration holes were drilled elsewhere on the property.
- in 2011 and 2012, holes drilled at the Pebble West zone indicate potential for resource expansion laterally and to depth; exploration targets were tested on the Kaskanak claims to the northwest and south of Pebble, and on the KAS claims further south.

Drilling for engineering (metallurgical and geotechnical) and environmental (hydrological) purposes began in 2004 and continued through 2013.

The spatial distribution and type of holes drilled are illustrated below.

Figure 3 Location of Drill Holes – Pebble Project



Source: 2014 Technical Report

Most of the footage on the Pebble Project was drilled using diamond core drills and the Pebble resource estimate was calculated exclusively from these holes. Many of the cored holes were advanced through overburden using a tricone bit with no core recovery. These overburden lengths are included in the core drilling total.

Since early 2004, all Pebble drill core has been geotechnically logged. Over 69,000 measurements were made for a variety of geotechnical parameters on 735,000 ft of core drilling. Recovery is generally very good and averages 98.5% overall; two-thirds of all measured intervals have 100% core recovery. Additionally, all Pebble drill core from the 2001 through 2013 drill programs was photographed in a digital format.

All drill hole collars have been surveyed using a differential global positioning system. A digital terrain model for the site was generated by photogrammetric methods in 2004. All post-Cominco (Teck) drill holes have been surveyed downhole, typically using a downhole survey (single shot magnetic gravimetric) tool. A total of 989 holes were drilled vertically (-90°) and 192 were inclined from -42° to -85° at various azimuths.

A summary of drilling by various categories (operator, type, year and area) to the end of the 2013 exploration program are compiled in the table below. As shown in Figure 3 and Table 1 (East, West, Main), a large proportion of the drilling has been directed toward the Pebble deposit.

Table 1 Summary of Drill Holes – Pebble Project

	No. of Holes	Feet	Metres
By Operator			
Cominco (Teck) [1]	164	75,741.0	23,086
Northern Dynasty	578	495,069.5	150,897
Pebble Partnership [2]	606	465,957.7	142,024
FMMUSA	7	5,450.0	1,661
Total	1,355	1,042,218.2	317,668
By Type			
Core [1,5]	1,132	1,023,297.6	311,901
Percussion [6]	223	18,920.6	5,767
Total	1,355	1,042,218.2	317,668
By Year			
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	267	165,567.7	50,465
2005	114	81,978.5	24,987
2006 [3]	48	72,826.9	22,198
2007 [4]	92	167,666.9	51,105
2008 [5]	241	184,726.4	56,305
2009	33	34,947.5	10,652
2010	66	57,582.0	17,551
2011	85	50,767.7	15,474
2012	81	35,760.2	10,900
2013	29	6,190.0	1,887
Total	1,355	1,042,218.2	317,668

	No. of Holes	Feet	Metres
By Area			
East	141	446,379.3	136,056
West	443	351,986.7	107,286
Main [7]	101	10,674.7	3,254
NW	203	45,948.4	14,005
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	153	60,442.4	18,423
SW	51	9,337.8	2,846
Sill	39	10,445.5	3,184
Cook Inlet	8	909.5	277
Total	1,355	1,042,218.2	317,668

Notes to table:
1. Includes holes drilled on the Sill prospect.
2. Holes started by Northern Dynasty and finished by the Pebble Partnership are included as the Pebble Partnership.
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 FMMUSA drill holes; data acquired in 2010.
6. Percussion holes were drilled for engineering and environmental purposes. Shallow (<15 ft) auger holes not included.
7. Comprises holes drilled entirely in Tertiary cover rocks within the Pebble West and Pebble East areas.
Some numbers may not sum exactly due to rounding.

Sampling, Analysis and Security of Samples

The Pebble deposit has been explored by extensive core drilling, with 80,859 samples having been taken from drill core for assay analysis. Nearly all potentially mineralized Cretaceous core drilled and recovered has been sampled by halving in 10 ft lengths. Similarly, all core recovered from the Late Cretaceous to Early Tertiary cover sequence has also been sampled, typically on 20 ft sample lengths, with some shorter sample intervals in areas of geologic interest. Unconsolidated overburden material, where it exists, is generally not recovered by core drilling and therefore not usually sampled.

Rock chips from the 223 rotary percussion holes were generally not sampled for assay analysis, as the holes were drilled for monitoring wells and environmental purposes. Only 35 samples were taken from the drill chips of 26 rotary percussion holes outside the Pebble deposit area, which were drilled for condemnation purposes.

Analytical work in 2002 and from 2004 to 2013 was completed by ALS Minerals Laboratories of North Vancouver, an ISO 9002 certified laboratory. Analytical work for the 2003 drilling program was completed by SGS Canada Inc. of Toronto, ON, an ISO 9002 registered, ISO 17025 accredited laboratory.

Northern Dynasty maintained an effective Quality Control/Quality Assurance ("QA/QC") program consistent with industry best practices, which was continued from 2007 to 2013 under the Pebble Partnership. This program is in addition to the QA/QC procedures used internally by the analytical laboratories. The QA/QC program has also been subject to independent review by Analytical Laboratory Consultants Ltd. and Nicholson Analytical Consulting. The analytical consultants provide ongoing monitoring, including facility inspection and timely reporting of the performance of standards, blanks and duplicates in the sampling and analytical program. The results of this program indicate that analytical results are of a high quality, suitable for use in detailed modelling and resource evaluation studies. The QA/QC sample types used in the program are described in the table below.

Table 2 Summary of Quality Control/Quality Assurance Sampling – Pebble Project

QC Code	Sample Type	Description	% of Total
MS	Regular Mainstream	Regular samples submitted for preparation and analysis at the primary laboratory.	90%
ST	Standard (Certified Reference Material)	Mineralized material in pulverized form with a known concentration and distribution of element(s) of interest. Randomly inserted using pre-numbered sample tags.	5% or 1 in 20
DP	Duplicate or Replicate	An additional split taken from the remaining pulp reject, coarse reject, ¼ core or ½ core remainder. Random selection using pre-numbered sample tags.	5% or 1 in 20
SD	Standard Duplicate	Standard reference sample submitted with duplicates and replicates to the check laboratory.	<1%
BL	Blank	Sample containing negligible or background amounts of elements of interest, to test for contamination.	1%

Core was boxed at the rig and transported daily by helicopter to the secure logging facility in Iliamna. Half cores remaining after sampling were replaced in the original core boxes and stored at Iliamna, AK in a secure compound. Crushed reject samples from the 2006 through 2013 analytical programs are stored in locked containers at Delta Junction, AK. Drill core assay pulps from the 1989 through 2013 programs are stored at a secure warehouse in Langley, BC.

Mineral Resources

The current estimate of the mineral resources in the Pebble deposit is based on approximately 59,000 assays obtained from 699 drill holes completed to the end of 2013. The resource tabulated below was estimated using ordinary kriging by David Gaunt, P.Geo., a qualified person who is not independent of Northern Dynasty.

The tabulation is based on copper equivalency that incorporates the contribution of copper, gold and molybdenum. Although the estimate includes silver, it was not used as part of the copper equivalency calculation in order to facilitate comparison with previous estimates which did not consider the silver content or its potential economic contribution. A base case cut-off of 0.3% CuEq is highlighted.

Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

This section uses the terms, "measured resources" and "indicated resources". The Company advises investors that while those terms are recognized and required by Canadian regulations, the US 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 be converted into reserves.

Table 3 2014 Estimate of Mineral Resources – Pebble Deposit
Measured and Indicated Categories

Cut-off CuEq %	CuEq%	Tonnes	Cu (%)	Au (g/t)	Mo (ppm)	Ag (g/t)
Measured						
0.3	**0.65**	**527,000,000**	**0.33**	**0.35**	**178**	**1.66**
0.4	0.66	508,000,000	0.34	0.36	180	1.68
0.6	0.77	279,000,000	0.40	0.42	203	1.84
1.0	1.16	28,000,000	0.62	0.62	302	2.27
Indicated						
0.3	**0.77**	**5,912,000,000**	**0.41**	**0.34**	**245**	**1.66**
0.4	0.82	5,173,000,000	0.45	0.35	260	1.75
0.6	0.99	3,450,000,000	0.55	0.41	299	1.99
1.0	1.29	1,411,000,000	0.77	0.51	343	2.42
Measured + Indicated						
0.3	**0.76**	**6,439,000,000**	**0.40**	**0.34**	**240**	**1.66**
0.4	0.81	5,681,000,000	0.44	0.35	253	1.75
0.6	0.97	3,729,000,000	0.54	0.41	291	1.98
1.0	1.29	1,439,000,000	0.76	0.51	342	2.42

Cautionary Note to Investors Concerning Estimates of Inferred Resources

This section also uses the term "inferred mineral resources". The Company advises investors that while this term is recognized and required by Canadian regulations, the 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.

Table 4 2014 Estimate of Mineral Resources – Pebble Deposit Inferred Category

Cut-off CuEq %	CuEq%	Tonnes	Cu (%)	Au (g/t)	Mo (ppm)	Ag (g/t)
Inferred						
0.3	**0.54**	**4,460,000,000**	**0.25**	**0.26**	**222**	**1.19**
0.4	0.68	2,630,000,000	0.33	0.30	266	1.39
0.6	0.89	1,290,000,000	0.48	0.37	291	1.79
1.0	1.20	360,000,000	0.69	0.45	377	2.27

The tabulated mineral resources are subject to the notes below:

These resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards. Inferred resources have a great amount of uncertainty as to their existence and whether they can be mined legally or economically. It cannot be assumed that all or any part of the Inferred resources will ever be upgraded to a higher category.

Copper equivalent calculations use metal prices of US$1.85/lb for copper, US$902/oz for gold and US$12.50/lb for molybdenum, and recoveries of 85% for copper 69.6% for gold, and 77.8% for molybdenum in the Pebble West zone and 89.3% for copper, 76.8% for gold, and 83.7% for molybdenum in the Pebble East zone.

A 0.30% CuEQ cut-off is considered to be comparable to that used for porphyry deposit open pit mining operations in the Americas.

The resource estimate is constrained by a conceptual pit that was developed using a Lerchs-Grossman algorithm and is based on the parameters set out below:

Parameter		Units	Cost ($)	Value
Metal Price	Gold	US$/oz	-	1540.00
	Copper	US$/lb	-	3.63
	Molybdenum	US$/lb	-	12.36
Metal Recovery	Copper	%	-	89
	Gold	%	-	72
	Molybdenum	%	-	82
Operating Cost	Mining (mineralized material or waste)	$/ton mined	1.01	-
	Added haul lift from depth	$/ton/bench	0.03	-
	Process			
	– Process cost adjusted by total crushing energy	$/ton milled	4.40	-
	– Transportation	$/ton milled	0.46	-
	– Environmental	$/ton milled	0.70	-
	– G&A	$/ton milled	1.18	-
Block Model	Current block model	ft	-	75 x 75 x 50
Density	Mineralized material and waste rock	-	-	Block model
Pit Slope Angles	–	degrees	-	42

These mineral resource estimates may ultimately be affected by a broad range of environmental, permitting, legal, title, socio-economic, marketing and political factors commensurate with the specific characteristics of the Pebble deposit (including its scale, location, orientation and poly-metallic nature) as well as its setting (from a natural, social, jurisdictional and political perspective).

Mineral Processing and Metallurgical Testing

Metallurgical testwork for the Pebble Project was initiated by Northern Dynasty in 2003 and continued under the direction of Northern Dynasty until 2008. From 2008 to 2013, metallurgical testwork progressed under the direction of the Pebble Partnership.

Geometallurgical studies were initiated by the Pebble Partnership in 2008, and continued through 2012. The principal objective of this work was to quantify significant differences in metal deportment that may result in variations in metal recoveries during mineral processing. The results of the geometallurgical studies indicate that the deposit comprises several geometallurgical (or material type) domains. These domains are defined by distinct, internally consistent copper and gold deportment characteristics that correspond spatially with changes in silicate alteration mineralogy.

The first major distinction between domains is characterized by hypogene and supergene mineralization. Hypogene mineralization reflects the copper-, gold- and molybdenum-bearing minerals which precipitated from hot hydrothermal solutions when the deposit initially formed in the Cretaceous Period. In contrast, supergene mineralization represents modifications, mostly to the copper-bearing minerals present in the near-surface parts of the Pebble West zone, during a much more recent weathering phase of the deposit when it became exposed for a time at the surface of the earth. The second critical influence on metallurgical recoveries is related directly to different alteration assemblages that formed over time in different parts of the Pebble deposit.

These alteration assemblages as listed in Table 5 include sodic potassic, illite-pyrite (described as quartz-illite-pyrite in *Geological Setting and Mineralization* above), K-silicate (potassic in *Geological Setting and Mineralization*), QSP (quartz-sericite-pyrite in *Geological Setting and Mineralization*), QP (pyrophyllite in *Geological Setting and Mineralization*) and sericite types. Each of these assemblages contains a distinct suite of minerals that precipitated from hydrothermal fluids under different conditions of temperature, pressure and chemical composition, and including, in some cases, differences in the types of copper- and gold-bearing minerals.

Recognition of the relationships between metallurgical behavior and mineralization styles and alteration assemblages provides significant technical advantages to further optimize metal recoveries in testwork, as well as to improve the future processing design in general on the Pebble Project. The samples selected for the comminution, copper-gold-molybdenum bulk flotation, and copper molybdenum separation testing were representative of the various types and styles of mineralization present at the Pebble deposit.

Metallurgical testwork and associated analytical procedures were performed by recognized testing facilities with extensive experience with this analysis, with this type of deposit, and with the Pebble Project.

The test results on variable mineralization samples indicate that marketable copper and molybdenum concentrates can be produced with gold and silver contents that meet or exceed payable levels in representative smelter contracts.

Metal recoveries projected in the 2014 Technical Report and in the table below were based on the 103 locked-cycle ("LCT") flotation tests, results of the variability samples, and associated gold leach testwork as well as sulphidization, acidification, recycling, and thickening ("SART") tests. Table 5 below provides projected overall metal recoveries from varied mineralization domains, which include the flotation and gold plant recoveries.

Table 5 Projected Metallurgical Recoveries[1] – Pebble Project

Domain	Flotation Recovery to Concentrate [2]				Gold Plant Recovery [3]			Overall Recovery			
	Cu Con			Mo Con	SART	Doré					
	Cu %	Au g/t	Ag g/t	Mo %	Cu %	Au g/t	Ag g/t	Cu %	Au g/t	Ag g/t	Mo %
Supergene:											
Sodic Potassic	74.7	60.4	64.1	51.2	1.5	16.0	6.0	76.2	76.4	70.2	51.2
Illite Pyrite	68.1	43.9	64.1	62.6	3.9	26.8	6.0	72.1	70.7	70.2	62.6
Hypogene:											
Illite Pyrite	86.4	43.9	64.1	73.2	1.9	26.1	6.0	88.3	70	70.2	73.2
Sodic Potassic	86.2	60.4	64.1	76.6	1.4	16.7	6.0	87.6	77.1	70.2	76.6
K Silicate	90.3	61.3	64.1	82.3	0.7	13.8	6.0	91	75.1	70.2	82.3
QP	94.3	65.0	64.1	80.1	1.4	14.4	6.0	95.6	79.4	70.2	80.1
Sericite	86.4	39.2	64.1	73.2	1.9	26.7	6.0	88.3	65.8	70.2	73.2
QSP	86	31.6	64.1	82.5	2.1	32.1	6.0	88.1	63.7	70.2	82.5

Notes to table:

1. Silver recovery projection based on a dataset of 10 LCT samples

2. Flotation recovery to concentrate refers to metal recoveries to copper concentrate (Cu Con) and to molybdenum concentrate (Mo Con).

3. Gold plant recovery refers to copper recovery to SART – sulphidization, acidification, recycling, and thickening process tests to recover copper from leaching circuit residue, as well as gold and silver recoveries to dor**é** bar.

Environmental and Socioeconomic

The Pebble deposit is located on state land that has been specifically designated for mineral exploration and development. The project area has been the subject of two comprehensive land-use planning exercises conducted by the Alaska Department of Natural Resources (the "ADNR"), the first in the 1980s and the second completed in 2005. The ADNR identified five land parcels (including Pebble) within the Bristol Bay planning area as having "significant mineral potential," and where the planning intent is to accommodate mineral exploration and development. These parcels total 2.7% of the total planning area (ADNR, 2005).

Environmental standards and permitting requirements in Alaska are stable, objective, rigorous and science-driven. These features are an asset to projects like Pebble that are being designed to meet U.S. and international best practice standards of design and performance.

Environmental Baseline Studies

Northern Dynasty and its partners carried out extensive field study programs from 2004 onward to characterize the existing physical, chemical, biological, and social environments in the Bristol Bay and Cook Inlet areas where the Pebble Project might occur. The Pebble Partnership compiled the data for the 2004-2008 study period into a multi-volume Environmental Baseline Document ("EBD")[2]. These studies have been designed to:

- Fully characterize the existing biophysical and socioeconomic environment;
- Support environmental analyses required for effective input into Project design;
- Provide a strong foundation for internal environmental and social impact assessment to support corporate decision-making;
- Provide the information required for stakeholder consultation and eventual mine permitting in Alaska; and,
- Provide a baseline for long-term monitoring of potential changes associated with mine development.

The baseline study program includes:

- surface water
- groundwater
- surface and groundwater quality
- geochemistry
- snow surveys
- fish and aquatic resources
- noise
- wetlands
- trace elements
- fish habitat – stream flow modeling
- marine
- wildlife
- air quality
- cultural resources
- subsistence
- land use
- recreation
- socioeconomics
- visual aesthetics
- climate and meteorology
- Iliamna Lake

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[3] Baseline data collecting and monitoring has continued since that time. The environmental baseline studies were continued during the period 2009 to 2014, and that information is being compiled into a supplementary EBD so that it can also be shared with state/federal agencies and the public as part of the future permitting process under NEPA.

Potential Environmental Effects and Proposed Mitigation Measures

The application of sound engineering, environmental planning and best management practices, including compliance with existing US federal and state environmental laws, regulations and guidelines, will ensure that environmental issues associated with the development and operation of the Pebble Project can be effectively addressed and managed.

The major environmental components include air, water and terrestrial resources. During the preliminary stages of the Pebble Project, Northern Dynasty identified key environmental issues and design drivers that have formed the basis of baseline data collection, environmental and social analysis and continuing stakeholder consultations influencing the Pebble Project design. The scoping-level assessment has confirmed these as important issues and design drivers, and has identified mitigation measures for each. The key mitigation strategies for these drivers include:

- Water: development of a water management plan that maximizes the collection and diversion of groundwater, snowmelt and direct precipitation away from the mine site;
- Wetlands: avoidance and minimization of project effects on wetlands and implementation of a water management plan (in accordance with US Army Corp of Engineers guidelines and regulations) to protect wetlands;
- Aquatic habitats: development of a water management plan and habitat mitigation measures that includes strategies to effectively manage the release of treated water in compliance with anticipated regulatory requirements to sustain necessary downstream flows and to protect downstream fish habitat and aquatic environments;
- Air quality: implementation of air emissions and dust suppression strategies;
- Marine environment: minimize the port facility's footprint in the intertidal zone, particularly in soft sediment intertidal areas; and
- Compensatory mitigation measures to ensure compliance with the Clean Water Act.

Direct integration of these and other appropriate measures into the Pebble Project design and operational strategies are expected to effectively mitigate possible environmental effects and minimize residual environmental effects associated with the construction, operation and eventual closure of any proposed mine at the Pebble Project.

Community Consultation and Stakeholder Relations

An active program of stakeholder outreach has also been undertaken at Pebble, and has included 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. Stakeholder outreach and community engagement is ongoing, although at a reduced scale commensurate with other project activities. 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.

Previous Mine Planning Work

During the period 2007 to 2013, the Pebble Partnership expended hundreds of millions dollars on the Pebble Project, a major portion of which was spent on exploration programs, resource estimates, environmental data collection and technical studies involving engineering of various possible mine development models, as well as related infrastructure, power and transportation systems. These costs are not reflected in the Company's asset accounts as they were largely incurred by third parties or are required to be expensed. During this period, the Pebble Partnership was funded by the international mining company Anglo American which was at that time the owner of a 50% interest in the Pebble Project. These studies informed a preliminary economic assessment of the Project released by the Company in 2011.

From 2011 to 2014 Northern Dynasty conducted two principal economic studies of the Pebble Project in parallel with the work done by Pebble Partnership and one subsequent to the departure of Anglo American from the Pebble Partnership. These studies have provided management with important information regarding factors that will impact on the economic viability of the Pebble Project and will enable management to refine the proposed mine plan for the Pebble Project as the Company moves forward with the permitting and development decision process for the Pebble Project.

These economic studies were warranted given that the Pebble Deposit has the ninth largest copper resource and the second largest gold resource in the world and is believed to be the largest undeveloped resource for both metals. It also contains significant quantities of molybdenum, a valuable metal used for steel alloys and silver, which has wide industrial and financial applications. The Measured and Indicated Resource portion of the Pebble Deposit is estimated to contain approximately 57 billion pounds of copper; 3.4 billion pounds of molybdenum, 344 million ounces of silver and 70 million ounces of gold. The Inferred Resource contains a further 24.5 billion pounds of copper, 2.2 billion pounds of molybdenum, 170 million ounces of silver and 37 million ounces of gold[3].

Based on the significance of this undeveloped resource, the Company has considered various development alternatives for a mine plan for the Project. As with all mining projects, the development of the optimum mine plan is an iterative process that involves both technical and economic assessment of various mine plan scenarios which are refined, taking into consideration socio-economic factors and regulatory requirements as initial studies are completed and regulatory approvals are sought. The Company's overall objective is to finalize a mine plan that seeks to provide an economic return balanced against financial and permitting risks. These factors would be evaluated within a final feasibility study for the Project. The economic studies that are described below represent the Company's ongoing efforts in pursuing this potential mine formulation and assessment process. This economic and technical work has yielded significant information that has enhanced management's technical, engineering and economic understanding of the Project. However, further work remains to be completed by the Company in order to achieve a finalized mine plan that the Company believes will support advancing to the stage of completing final feasibility studies in conjunction with a successful permitting application. The commercial viability and financial and economic robustness of the Project cannot be definitively established until a final mine design is selected and a positive final feasibility study is completed. Accordingly there can be no assurance that the Company's development work will be successful in completing a positive feasibility study that is necessary to support a "development decision" to move forward with development of a mine at the Project.

A Preliminary Economic Assessment ("PEA"), was completed and disclosed in 2011 as a National Instrument 43-101 compliant Technical Report (the "2011 PEA"). This study was based on a similar analysis conducted by Pebble Partnership which demonstrated similar results as discussed below. Northern Dynasty has ceased referencing this study given its age and as the Company's understanding of the most likely development scenario for the Project has evolved based the Company's increased knowledge and understanding of the Project as well as the concerns raised about mine plan parameters that may need to be addressed in the mine that is actually proposed and permitted. Nevertheless the 2011 PEA remains instructive about financial and economic viability issues.

The 2011 PEA evaluated an open pit mine with a nominal daily mining rate of 235,000 tons of ore per day, using three different mine life scenarios: (i) a 25-year mine life (the "Investment Decision Case", IDC); (ii) a 45-year mine life, which corresponded to the 2010 Value Seeking Phase (the "Reference Case"); and (iii) a 78-year mine life, presenting an open pit life of mine valuation (the "Resource Case"). The 2011 PEA estimated that the Pebble Project would have an initial project capital cost of approximately $5.8 billion, which was subsequently reduced to a net cost $4.7 billion, after considering third-party-provided infrastructure leased back to the project and precious metal streaming. For the 45-year Reference Case, the 2011 Preliminary Economic Assessment also estimated that the Pebble Project would yield a pre-tax NPV of approximately $6.1 billion, using a 7% discount rate, and a 14.2% pre-tax IRR. The pre-tax 25-year IDC and 78-year mine life Reference Case scenarios resulted in an estimated $3.8 billion NPV, using a 7% discount rate, and IRR of 13.4%, and a $6.8 billion NPV, using a 7% discount rate, and IRR of 14.5%, respectively.

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[4] For further details on the mineral resources, see Mineral Resources above.

Pursuant to the parameters of the 2011 Preliminary Economic Assessment, using a 45-year mine life, the Pebble Project was estimated to produce 30 billion pounds of copper, 30 million ounces of gold, and 1.4 billion pounds of molybdenum, 140 million ounces of silver, 1.2 million kilograms of rhenium and 907,000 ounces of palladium while mining only 32% of the mineral resource at the Pebble Deposit.

Assessing the economic viability of a mineral project is inherently uncertain give that a key driver of viability, future minerals prices, is always an estimate or assumption. The Company is of the view that the 2011 PEA economic analyses were reasonable at the time and believes they continue to inform an assessment of potential economic viability, appreciating that such an this assessment is always one involving probabilities and will be significantly influenced by the future metal prices assumed in the analysis. In considering the economic analysis included in the 2011 PEA, the Company notes that the metal prices used in the 2011 PEA were $2.50/lb copper, $1,050/oz gold, $13.50/lb molybdenum and $15/oz silver, whilst current long term consensus forecast prices are $2.99/lb copper, $1,300/oz gold, $8.00/lb molybdenum and $20/oz silver. The long term metal forecast prices, other than that for molybdenum are currently in excess of the prices used in the 2011 PEA, a further indication that the Pebble Project has the potential to demonstrate strong economic fundamentals when the feasibility study is completed.

Investors are cautioned that the 2011 PEA was a preliminary economic or “scoping” analysis that does not contain the level of mine plan or costing detail that would be included in either a preliminary feasibility study or a final feasibility study that would be necessary to make a determination of the existence of mineral reserves or for a production decision for the Project. In addition, the cost information used in the 2011 PEA will likely have changed, and will have to be reconsidered. In this context, investors should not assume that any of the results of the economic analysis are determinative of the current economics of the Project, but should consider the results of the PEA as informing management’s view that the Project has significant value and has prospects of demonstrating economic viability under various assumptions of future metal prices. Further refinement of the mine plan for the Project leading to feasibility studies on the Pebble Project is considered by management to be fully warranted.

The 2014 Technical Report did not attempt to build on this previous engineering work given that, unless and until there is resolution in the litigation with the EPA in regards to the possibility of permitting any kind of mine at Pebble, it is not appropriate for the technical report authors to use or build upon previously posited mine models or to make large dollar recommendations in furtherance of assessing the technical or economic feasibility of a potential mine at Pebble.

A second study which also touched on economics was conducted in 2012 (the “2012 Draft NDM Study”) in parallel to Pebble Partnership’s 2011 Pre-Feasibility work and followed similar parameters. This study was completed for management’s internal purposes, and not for publication and therefore utilized Inferred Resources which are not permitted under NI 43-101. The 2012 Draft NDM Study envisioned an open pit mine with elevated cut-off grades. The study reflected the macro economic conditions at the time, with greater capital costs that reflected escalated prices since the 2011 PEA but with a corresponding increase in the long term price for copper. This study also supported management’s belief as to the high likelihood that the Pebble Project would prove viable when the Project proceeded to a Feasibility Study.

Northern Dynasty commenced a third study in 2014 which was to be completed in compliance with National Instrument 43-101 but was not finalized due to the EPA’s initiation of a CWA 404(c) regulatory action (“the 2014 Draft NDM Study”). Capital cost factors were similar to those used in the 2012 Draft NDM Study, as were the metal prices. Although not completed, this study again provides support for the possibility that the Pebble Project would prove viable when the Project proceeds to the feasibility study stage. A technical report updating geological information was completed in 2014 and filed at www.sedar.com but this report did not consider project economics.

The 2014 Technical Report did not attempt to build on this previous engineering work given that, unless and until there is resolution in the litigation with the EPA in regards to the possibility of permitting any kind of mine at Pebble, it is not appropriate for the technical report authors to use or build upon previously posited mine models or to make large dollar recommendations in furtherance of assessing the technical or economic feasibility of a potential mine at Pebble.

The 2011 PEA, 2012 Draft NDM Study and the 2014 Draft NDM Study continue to be relevant as the material components informing management's belief that the continued refinement of the mine plan for the Pebble Project is warranted and that there is a solid basis for pursuing a feasibility study on the Pebble Project. The Company has gained important information on the sensitivity of the economics of the Pebble Project during the course of completing these economic studies. This information includes a better understanding of the factors that impact on the capital and operating costs of the Pebble Project, including the relationships between the sizes of the processing plant and various capital and operating costs and product rates and recoveries and resulting impacts the economic viability of the Project. This information will enable the Company to continue to refine the mine plan for the Pebble Project with the objective of ultimately moving to the feasibility study phase. This development work was largely ceased in 2014 as the Company has had to shift its focus to reversing the EPA's proposed 404(c) veto. Accordingly, the Company has not made any decision on the mine development plan (mine size, throughput, mine life etc.) that it presumes it will be able to submit for permitting under NEPA in the event the Company is allowed to move forward with permitting of the Pebble Project. The final mine development may differ substantially from that set out in the 2011 PEA.

Management believes the Pebble deposit provides a great deal of optionality in the development of the Project. The scale of the deposit enables a mine to be developed in a wide range of sizes. The deposit outcrops, which enables early development with a very low strip ratio. A portion of this near surface material is also of higher grade, further enhancing the development opportunities. The eastern portion of the deposit is buried but its dimensions create an opportunity for a large, relatively low strip ratio pit. The deposit does not rely on value from only one or two products, but has multiple metals of interest. This, combined with the scale, should allow mine operators the luxury of revising the plan to accommodate future swings in metal prices. The Pebble property is very large with numerous identified mineral showings. While current plans envision open pit mining, management believes the opportunity to develop an underground mine to exploit the eastern part of the deposit still remains.

C. Plans For 2017

The Company's business objectives in 2017 are to:

- continue to advance the Multi-dimensional Strategy to address the EPA's pre-emptive regulatory action with the goal that the Pebble Project will be able to initiate federal and state permitting under the NEPA unencumbered by any extraordinary development restrictions imposed by the EPA.
- maintain an active corporate presence in Alaska to advance relationships with political and regulatory offices of government (both in Alaska and Washington, D.C.), Alaska Native partners and broader stakeholder relationships;
- if either the Multi-dimensional Strategy is successful or the EPA changes it position with the result that permit applications can proceed, prepare documentation to initiate federal and state permitting under the CWA and the NEPA. In the event permit applications can proceed, the Company plans to undertake environmental monitoring, engineering and environmental studies, field investigations and related technical studies to finalize a proposed development plan, in order to prepare documentation to initiate federal and state permitting;
- maintain the Pebble Project and Pebble claims in good standing; and
- continue to seek potential partner(s) to further advance the Pebble Project.

The current Multi-dimensional Strategy may be impacted by the change in the leadership of the EPA that was completed in the first quarter of 2017 as a result of the new federal administration in Washington, DC. Through the Pebble Partnership, the Company has had preliminary discussions with certain members of the new administration and believes, based on these discussions and other public statements, that there is a possibility that the new leadership of the EPA will reconsider its position with respect to the EPA's previously proposed pre-emptive action under Section 404(c) of the CWA. This would allow the Pebble Project to proceed with the permitting process. These discussions are, however, not binding and there is no assurance that this change of leadership will result in the EPA reversing its position. In addition, on February 22, 2017, the US House Committee on Science, Space and Technology recommended that the new EPA Administrator rescind the federal agency's pre-emptive Section 404(c) action. As of the date of this AIF, there has not yet been a formal response to this recommendation.

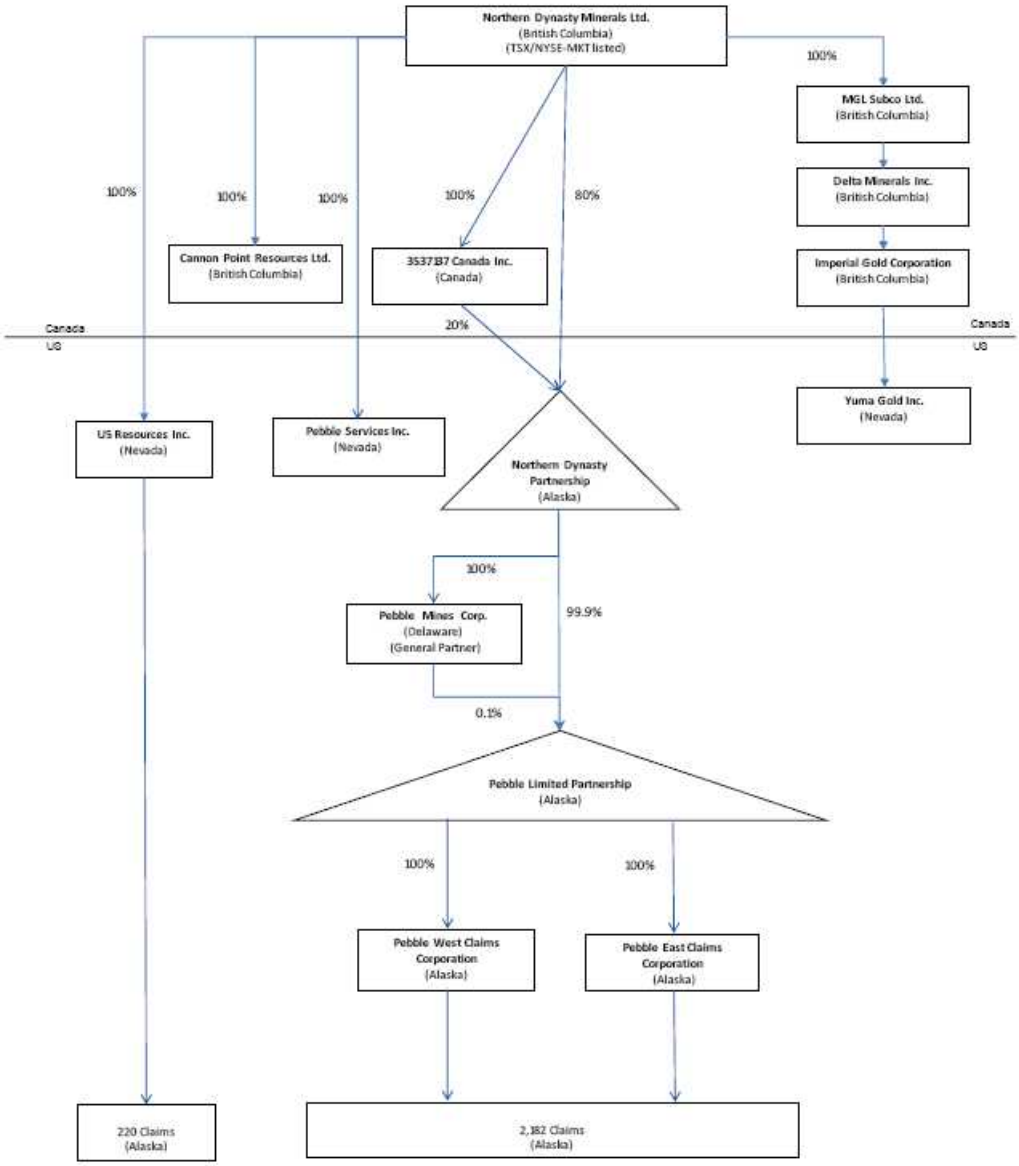
On October 27, 2016, the Pebble Partnership and the EPA ("the parties") filed a joint Notice in federal court stating their intent to enter into mediation in an effort to resolve ongoing litigation under the Federal Advisory Committee Act ("FACA") as described in 12 Legal below. To date, no mediator has been appointed in these mediation proceedings. On December 30, 2016, the parties filed a joint Notice in federal court staying the ongoing FACA litigation until March 20, 2017 and, on that date, the parties filed a Joint Motion in federal court to extend a stay of proceedings in ongoing litigation under FACA to May 4, 2017 in the interest of resolving the matter.

The Company has made substantial progress in recent discussions with the EPA and intends to continue negotiating the matter directly, rather than through mediation. Government representatives are actively engaged in these discussions and, along with the Pebble Partnership, are focused on achieving a resolution that will be agreeable to both parties. In the meantime, the Court's Preliminary Injunction of November 25, 2014, will remain in effect for the duration of any stay.

At this time, the Pebble Partnership is still planning to remain engaged in direct discussions, including possible mediation with the EPA. There can also be no assurance of the results of the discussion and possible mediation with the EPA. In the event that there is a change in the EPA's position that results in Pebble being able to proceed into the permitting process, it is anticipated that (i) the Multi-dimensional Strategy will change, as the key objective of this strategy will have been met, however, political and stakeholder outreach efforts will continue; (ii) the Pebble Partnership will execute technical studies and prepare documentation to initiate applications for federal and state permitting under the CWA and the NEPA; and (iii) the Company may re-direct some of its efforts on the Multi-dimensional Strategy to these permitting activities. In the event that there is no change in the EPA position, then the Multi-dimensional Strategy and the related discussion and possible mediation proceedings with the EPA will continue. Even if the dealings with the EPA are successful and the permitting process for the Pebble Project commences, there can be no assurance that the permits required to build and operate the Pebble Project will be successfully secured.

D. Organizational Structure

Structure as at December 31, 2016:



E. Property, Plant and Equipment

The Company's principal property is the Pebble Project, as discussed A. above.

The Company has approximately $550,000 in plant and equipment primarily at the Pebble Project site located in Iliamna.

The Company, through the Pebble Partnership, has leased premises in Anchorage and at the Pebble Project site and as result the Company has lease commitments which have been disclosed in the accompanying audited financial statements.

F. 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 their entire investment. The risks associated with Northern Dynasty's business include:

In The Event That We Are Unsuccessful In Our Litigation Against The EPA, The EPA Refuses to Withdraw Its Regulatory Action Or We Are Otherwise Unable To Reach A Settlement With The EPA, We May Never Be Able To Proceed With Permitting With Respect To The Pebble Project.

The principal risk currently facing the Company is that we may be unable to resolve our ongoing issues with the EPA with respect to its pre-emptive regulatory action under Section 404(c) of the CWA. While we believe our position has merit, the proceedings have been lengthy and have required us to expend substantial funds and time.

There is no assurance that there will be any change in the position taken by the EPA with respect to its pre-emptive regulatory action under Section 404(c) of the CWA resulting from the new federal administration in Washington DC and the resulting change in the leadership of the EPA.

There has recently been a change in the leadership of the EPA resulting from the appointment of a new administrator of the EPA by the new federal administration in Washington, DC. There is no assurance that this change of leadership will result in the EPA reversing its position with respect the EPA's preemptive regulatory action under Section 404(c) of the CWA or otherwise enable the Company to proceed with its permit application process. The Company can provide no assurance with respect to the reaching or timing of a resolution, if any, with the EPA or with respect to other matters relating to the EPA. Even if the current issues with the EPA are resolved, there is no assurance that the Company will be successful in obtaining the required permits to proceed with the development of the Pebble Project.

Inability to Ultimately Achieve Mine Permitting and Build a Mine at the Pebble Project

Notwithstanding any possible negotiated or other settlement with the EPA or a change in the EPA's position that enables us to proceed with our permit applications, the Company may ultimately be unable to secure the necessary permits under United States ("US") Federal and Alaskan State laws to build and operate a mine at the Pebble Project. There is no assurance that the EPA will not seek to undertake future regulatory action to impede or restrict the Pebble Project. In addition, there are prominent and well organized opponents of the Pebble Project and the Company may be unable, even if we present solid scientific and technical evidence of risk mitigation, to overcome such opposition and convince governmental authorities that a mine should be permitted at the Pebble Project. The Company faces not only the permitting and regulatory issues typical of companies seeking to build a mine, but additional public and regulatory scrutiny due to its location and likely size. Accordingly, there is no assurance that the Company will obtain the required permits even if the current issues with the EPA are resolved and the Company is able to proceed with the permit application process. In the ordinary course the Company's permitting process would first involve filing CWA 404 permit applications with the US Army Corps of Engineers, which would trigger an EIS process under NEPA. The EIS process under NEPA, and the requirement for the Company to secure a broad range or other permits and authorizations from multiple federal and state regulatory agencies will take several years. After all permits are in hand, a number of years would be required to finance and build a mine and commence operations. During these periods, the Company would likely have no income and so would require additional financing to continue its operations. Unless and until we build a mine at the Pebble Project we will be unable to achieve revenues from operations and may not be able to sell or otherwise recover our investment in the Pebble Project, which would have a material adverse effect on the Company and an investment in the Company's common shares.

Negative Operating Cash Flow

The Company currently has a negative operating cash flow and will continue to have that for the foreseeable future. Accordingly, the Company will require substantial additional capital in order to fund its future exploration and development activities. The Company does not have any arrangements in place for this funding and there is no assurance that such funding will be achieved when required. Any failure to obtain additional financing or failure to achieve profitability and positive operating cash flows will have a material adverse effect on its financial condition and results of operations.

Risk of Secure Title or Property Interest

There can be no certainty that title to any property interest acquired by the Company or any of its subsidiaries is without defects. Although the Company has taken reasonable precautions to ensure that legal title to its properties is properly documented, there can be no assurance that its property interests may not be challenged or impugned. Such property interests may be subject to prior unregistered agreements or transfers or other land claims, and title may be affected by undetected defects and adverse laws and regulations.

The Pebble Partnership's mineral concessions at Pebble are located on State of Alaska lands specifically designated for mineral exploration and development. Alaska is a stable jurisdiction with a well-developed regulatory and legal framework for resource development and public lands management, a strong commitment to the rule of law and lengthy track record for encouraging investment in the development if its land and natural resources.

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 are motivated to preclude any possible mining in the Bristol Bay Watershed ("BBW"). The BBW is an important wildlife and salmon habitat area. The EPA 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. Accordingly, one of the greatest risks to the Pebble Project is seen to be political/permitting risk which may ultimately preclude construction of a mine at Pebble. Opposition may include legal challenges to exploration and development permits, which may delay or halt development. Other tactics may also be employed by opposition groups to delay or frustrate development at Pebble, included political and public advocacy, electoral strategies, media and public outreach campaigns and protest activity

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 resource 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 US 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, 2016, Northern Dynasty had working capital of approximately $6.4 million. Northern Dynasty has prioritized the allocation of available financial resources in order to meet key corporate and Pebble Project expenditure requirements in the near term. Additional financing will be required to pursue any material work programs at the Pebble Project. 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 Only Mineral Property Interest, the Failure to establish that the Pebble Project Possesses Commercially Viable and Legally Mineable Deposits of Ore May Cause a Significant Decline in the Trading Price of Northern Dynasty’s Common Shares and Reduce Its Ability to Obtain New Financing.

The Pebble Project is Northern Dynasty’s only mineral project. Northern Dynasty’s principal business objective is to carry out further exploration and related activities to establish whether the Pebble Project possesses 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 adversely impact the 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, Molybdenum and Silver 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 for which it explores. The prices of copper, gold, molybdenum and silver 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, molybdenum and silver 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, molybdenum and silver have fluctuated in recent years, and future significant price declines could cause investors to be unprepared to finance exploration of copper, gold, molybdenum and silver, with the result that Northern Dynasty may not have sufficient financing with which to fund its exploration activities.

Mining is Inherently Dangerous and subject to Conditions or Events beyond the Company's control, which could have a Material Adverse Effect on the Company's Business.

Hazards such as fire, explosion, floods, structural collapses, industrial accidents, unusual or unexpected geological conditions, ground control problems, power outages, inclement weather, seismic activity, cave-ins and mechanical equipment failure are inherent risks in the Company's exploration, development and mining operations. These and other hazards may cause injuries or death to employees, contractors or other persons at the Company's mineral properties, severe damage to and destruction of the Company's property, plant and equipment and mineral properties, and contamination of, or damage to, the environment, and may result in the suspension of the Company's exploration and development activities and any future production activities. Safety measures implemented by the Company may not be successful in preventing or mitigating future accidents.

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 Considerable Resources and Changes to these Requirements Could Significantly Increase the Costs of 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 Reclamation Costs.

Government regulations relating to mineral rights tenure, permission to disturb areas and the right to operate can adversely affect Northern Dynasty. Northern Dynasty and the Pebble Partnership may not be able to obtain all necessary licenses and permits that may be required to carry out exploration at our projects. Obtaining the necessary governmental permits is a complex, time-consuming and costly process. The duration and success of efforts to obtain permits are contingent upon many variables not within our control. Obtaining environmental permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed those that we previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that we would not proceed with the development or operation of a mine at the Pebble Project. Refer to further discussion in Item 12 Legal Proceedings.

Litigation

The Company is currently and may in future be subject to legal proceedings, including with regard to actions in Item 12 Other Matters in the development of its Pebble Project. Given the uncertain nature of these actions, the Company cannot reasonably predict the outcome thereof. If the Company is unable to resolve these matters favorably it will likely have a material adverse effect on the Company.

Northern Dynasty is Subject to Many Risks that Are Not Insurable and, as a Result, Northern Dynasty Will Not Be Able to Recover Losses Through Insurance Should Certain Events 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.

If Northern Dynasty Loses the Services of 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 Pebble Project. There can be no assurance that the services of all necessary key personnel will be available when required or 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 loss of services of key personnel could become such that we would not proceed with the development or operation of a mine at the Pebble Project.

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 needs to sell Northern Dynasty shares.

Northern Dynasty Will Require Additional Funding to Meet the Development Objectives of the Pebble Project.

Northern Dynasty will need to raise additional financing (share issuances, debt or asset level partnering) to achieve 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 the project, 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.

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 270,869,561 common shares without par value were issued and outstanding as fully paid and non-assessable as of December 31, 2016. As of March 28, 2017, there were 298,787,573 common shares issued and outstanding as fully paid and non-assessable. The audited consolidated annual financial statements provide share issuances effected by Northern Dynasty and the weighted average issue price for shares since January 1, 2016.

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.

Northern Dynasty has entered in registration rights agreements with certain United States shareholders as part of past financing activities. See the Company's US public filings at www. sec.gov.

Item 8. Market for Securities Trading Markets

Northern Dynasty's common shares have been listed in Canada on the TSX since October 2007, under the symbol NDM.

The Company's common shares have traded in the U.S. on NYSE MKT (formerly AMEX), since November 2004, under the symbol NAK.

The following tables set forth for the periods indicated the price history of the Company's common shares on the TSX and on the NYSE MKT. Share trading information is available through free internet search services (for example, for TSX, refer to www.tmxmoney.com, enter NDM.TO. For NYSE MKT, use the following: https://www.nyse.com/listings_directory/stock, enter NAK).

Fiscal Year Ended December 31,	Trading under the symbol NDM on the TSX			Trading under the symbol NAK on the NYSE MKT		
	High ($)	Low ($)	Average daily trading volume	High (US$)	Low (US$)	Average daily trading volume
2016	3.12	0.28	775,654	2.50	0.20	1,295,079
2015	0.83	0.37	55,058	0.72	0.28	103,728
2014	1.85	0.38	56,803	1.70	0.32	204,562
2013	4.19	1.07	75,913	4.26	1.00	271,510
2012	8.13	2.23	116,593	8.19	2.20	269,042
2011	21.50	5.16	252,154	21.76	4.87	612,224

Fiscal Quarter	Trading under the symbol NDM on the TSX			Trading under the symbol NAK on the NYSE MKT		
	High ($)	Low ($)	Average daily trading volume	High (US$)	Low (US$)	Average daily trading volume
Q4 2016	3.12	0.71	1,402,529	2.50	0.54	2,862,494
Q3 2016	1.48	0.39	1,186,214	1.16	0.30	1,871,322
Q2 2016	0.57	0.37	314,544	0.48	0.28	258,189
Q1 2016	0.52	0.28	207,582	0.39	0.20	159,575
Q4 2015	0.58	0.38	76,251	0.31	0.29	108,597
Q3 2015	0.67	0.37	34,517	0.36	0.30	93,941
Q2 2015	0.54	0.38	25,070	0.37	0.34	109,776
Q1 2015	0.83	0.45	85,348	0.40	0.36	102,643

Last twelve months	Trading under the symbol NDM on the TSX			Trading under the symbol NAK on the NYSE MKT		
	High ($)	Low ($)	Average daily trading volume	High (US$)	Low (US$)	Average daily trading volume
February 2017	4.46	1.81	5,566,474	3.41	1.37	16,064,595

Last twelve months	Trading under the symbol NDM on the TSX			Trading under the symbol NAK on the NYSE MKT		
	High ($)	Low ($)	Average daily trading volume	High (US$)	Low (US$)	Average daily trading volume
January 2017	4.54	2.30	3,270,386	3.45	1.72	8,633,185
December 2016	3.12	1.54	2,104,690	2.50	1.14	4,300,424
November 2016	2.08	0.93	1,506,545	1.55	0.70	1,983,952
October 2016	1.39	0.71	585,785	1.04	0.54	1,290,186
September 2016	1.17	0.87	497,048	0.90	0.67	879,252
August 2016	1.48	0.74	1,965,300	1.16	0.55	3,221,387
July 2016	0.76	0.39	1,051,010	0.58	0.30	1,349,170
June 2016	0.48	0.37	260,832	0.38	0.28	227,623
May 2016	0.55	0.40	315,938	0.45	0.30	210,110
April 2016	0.57	0.38	369,424	0.48	0.29	338,276
March 2016	0.52	0.41	281,955	0.39	0.30	199,300

Item 9. Escrowed Securities

Following the Company's acquisition of Mission Gold Ltd. on December 24, 2015 there are currently 1,628,671 common shares in the capital of the Company held in escrow pursuant to TSX-V value escrow agreements and supplemental escrow agreements dated February 13, 2013 among Delta Gold Corporation, a predecessor company to Mission Gold Ltd. (the "issuer"), Olympia Trust Company and the holders of the escrowed shares.

In addition to the applicable TSX-V time-based release conditions, the supplemental escrow agreements provide, among other things, that the escrowed shares shall not be released from escrow until the issuer has obtained requisite permits authorizing exploration and development activities at the issuer's Imperial Project which would allow the issuer to complete the drilling component of the Phase 1 recommended work program as set out in the issuer's filing statement dated December 28, 2012. The issuer has provided to the TSX-V written notice that it has sufficient time to raise funds and to incur costs and expenses to meet its contractual obligations in respect of expenditures required to be incurred on the issuer's Imperial Project pursuant to applicable contractual obligations and the TSX-V has consented to the release.

Except as outlined above, 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. Where shown the reference to "CEO" refers to "Chief Executive Officer" and "CFO" to "Chief Financial Officer".

Name	Position	Director or Officer Since
Desmond M. Balakrishnan Vancouver, BC, Canada	Director	December 2015
Steven A. Decker (2)(4) Sherman Oaks, CA, United States	Director	March 2016
Robert A. Dickinson Lions Bay, BC, Canada	Chairman of the Board and Director	June 1995
Gordon B. Keep (3) Vancouver, BC, Canada	Director	October 2015
David C. Laing (3)(4) Vancouver, BC, Canada	Director	May 2016
Christian Milau (2)(4) Vancouver, BC, Canada	Director	May 2016
Kenneth W. Pickering (2)(3) Chemainus, BC, Canada	Director	September 2013
Marchand Snyman West Vancouver, BC, Canada	CFO	August 2008
Ronald W. Thiessen West Vancouver, BC, Canada	President, CEO and Director	November 1995
Trevor Thomas Vancouver, BC, Canada	Secretary	February 2008
Bruce Jenkins Vancouver, BC, Canada	Senior Vice President, Corporate Development	June 2004
Stephen Hodgson Vancouver, BC, Canada	Vice President Engineering	March 2005
Sean Magee North Vancouver, BC, Canada	Vice President Public Affairs	October 2006
Doug Allen Vancouver, BC, Canada	Vice President Corporate Communications	June 2012

(1) To the best of the Company's knowledge, none of such persons has any family relationship with any other and none were elected as a director or appointed as an officer as a result of an arrangement or understanding with a major shareholder, customer, supplier, or any other party.
(2) Member of the Audit and Risk Committee.
(3) Member of the Compensation Committee.
(4) Member of the Nominating and Governance Committee.

As at March 28, 2017, the directors and officers of Northern Dynasty, and their respective affiliates, directly and indirectly, own or control as a group an aggregate of 10,643,239 common shares (3.56%), or (7.63%) on a diluted basis.

Biographical information

The following is the biographical information on each of the persons listed above:

Desmond M. Balakrishnan BA., LLB. – Director

Mr. Balakrishnan is a lawyer practicing in the areas of Corporate Finance and Securities, Mergers and Acquisitions, Lending, Private Equity and Gaming and Entertainment for McMillan LLP, where he has been a partner since 2004. McMillan serves as the Company's Canadian attorneys. He has been lead counsel on over $500 million in financing transactions and in mergers and acquisitions aggregating in excess of $1 billion. He also serves as a director and/or officer of several resource, finance and gaming firms. He holds CLA and BA from Simon Fraser University and a Bachelor of Laws (with Distinction) from the University of Alberta.

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

Company	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Director	December 2015	Present
Aroway Energy Inc.	TSX-V	Director	July 2010	Present
Big Sky Petroleum Corporation	TSX-V	Director	November 2011	Present
Contagious Gaming Inc.	TSX-V	Director	August 2014	Present
Electric Metals Inc.	TSX-V	Secretary	June 2009	September 2013
Hillcrest Petroleum Ltd.	TSX-V	Secretary	January 2008	August 2015
Network Exploration Ltd.	TSX-V	Secretary	May 2008	Present
Petro Basin Energy Corp.	TSX-V (NEX)	Director	February 2012	Present
Poydras Gaming Finance Corp.	TSX-V	Secretary	April 2010	May 2014
Red Rock Capital Corp.	TSX-V (NEX)	Director	February 2012	Present
Shelby Ventures Inc.	TSX-V (NEX)	Director	December 2010	Present
Yankee Hat Minerals Ltd.	TSX-V	Secretary	January 2005	November 2012

Steven A. Decker, CFA – Director

Mr. Decker is a Chartered Financial Analyst® charterholder with more than 20 years of investment experience as an Analyst and Portfolio Manager. He holds an MBA in Finance from the Marshall School of Business at the University of Southern California where he received the Marcia Israel Award for Entrepreneurship and was a manager of the California Equity Fund.

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

Company	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Director	March 2016	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	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Director	June 1994	Present
		Chairman	April 2004	Present
Amarc Resources Ltd.	TSX-V, OTCBB	Director	April 1993	Present
		Chairman	April 2004	Present
Curis Resources Ltd.	TSX	Director	November 2010	November 2012
Heatherdale Resources Ltd.	TSX-V	Director	November 2009	Present
Northcliff Resources Ltd.	TSX	Director	June 2011	Present
		Chairman	June 2011	January 2013
Quartz Mountain Resources Ltd.	TSX-V	Director	December 2011	Present
		Chairman	December 2011	November 2012
Taseko Mines Limited	TSX, NYSE MKT	Director	January 1991	Present

Gordon B. Keep, B.Sc., MBA, P.Geo. – Director

Gordon Keep is a Professional Geologist with extensive business experience in investment banking and creating public natural resource companies. Mr. Keep is CEO of Fiore Management & Advisory Corp., a private financial advisory firm. He also serves as an officer and/or director for several natural resource companies. He holds a B.Sc. in Geological Science from Queen's University and an MBA from the University of British Columbia.

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

Company	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Director	October 2015	Present
Cannon Point Resources Ltd.	TSX-V	CEO and Director	July 2009	April 2013
Tekmodo Industries Inc. (previously CarbonOne Technologies Inc.)	TSX-V	Director	July 2015	January 31, 2017
Catalyst Copper Corp.	TSX-V	Director	April 2008	May 2016
Eastern Platinum Limited	TSX, JSE	Director	November 2003	July 2016
Encanto Potash Corp.	TSX-V	Director	December 2008	Present
		Chairman	October 2009	Present
Klondike Gold Corp.	TSX-V	Director	December 2013	Present
Oceanic Iron Ore Corp.	TSX-V	Director	September 2010	Present
Pacific Topaz Resources Ltd.	TSX-V (NEX)	CFO and Secretary	March 2011	April 2013
Peregrine Diamonds Ltd.	TSX	Director	February 2005	July 2015
Petroamerica Oil Corp.	TSX-V	Secretary	January 2008	August 2014
Petromanas Energy Inc.	TSX-V	Director	August 2010	May 2016
PNO Resources Ltd.	TSX-V (NEX)	President and Director	July 2007	April 2013
Prima Columbia Hardwood Inc.	TSX-V	Director	July 2007	June 2013
Renaissance Oil Corp.	TSX-V	Director	September 2014	Present
Royce Resources Corp.	TSX-V (NEX)	CFO and Secretary	March 2011	April 2013
Rusoro Mining Ltd.	TSX-V	Director	July 2016	Present

Company	Name of Market	Positions Held	From	To
Sandspring Resources Ltd.	TSX-V	Director	March 24, 2017	Present
Skyridge Resources Ltd.	TSX-V (NEX)	Director	December 2007	April 2013
Tapango Resources Ltd.	TSX-V (NEX)	CFO and Secretary	February 2007	April 2013
Uracan Resources Ltd.	TSX-V	Director	November 2003	Present

David Laing, BSc Mining Engineering – Director

Mr. Laing is a Mining Engineer with 40 years' experience in mining operations, projects, engineering studies, mining finance, investor relations, mergers and acquisitions, corporate development, and company building. Mr. Laing is currently the Chief Operating Officer ("COO") and a Director of Luna Gold Corp. Prior to that, he was the COO of True Gold Mining Inc. Prior to joining True Gold, Mr. Laing was COO and led the origination and execution of stream financing transactions of Quintana Resources Capital ULC, a base metals streaming company. He was also one of the original executives of Endeavour Mining Corporation as the group grew from one mine in Burkina Faso to a 500,000 ounce gold producer in West Africa. Mr. Laing was an integral part of the acquisition and integration of three junior gold producers and led the feasibility of a fourth project, in Burkina Faso. Prior to these recent roles, Mr. Laing held senior positions in mining investment banking at Standard Bank in New York, technical consulting at MRDI in California, the Refugio project at Bema Gold Corp. and various roles at Billiton and Royal Dutch Shell's mining business.

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

Company	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Director	May 2016	Present
Arian Silver Corporation	LSE	Director	December 2014	July 2015
Aton Resources Inc.	TSX-V	Director	May 2016	Present
CB Gold Inc.	TSX-V	Director	April 2014	August 2015
Catalyst Copper Corp.	TSX-V	President, CEO and Director	March 2014	August 2014
Fortuna Silver Mines Inc.	TSX, NYSE	Director	September 2016	Present
KBL Mining Limited	ASX	Director	March 2015	January 2016
Luna Gold Corp. [2]	TSX	COO and Director	August 2016	Present
Sandspring Resources Ltd.	TSX-V	Director	August 2015	Present
True Gold Mining Inc. [1]	TSX-V	COO	July 2015	April 2016

Note:

1. The Company was acquired by Endeavour in April 2016 and its shares were delisted.
2. The Company has announced it is entered into an agreement to merge with TSX-V listed JDL Gold Corp.

Christian Milau, CPA, CA, CPA (Illinois) – Director

Mr. Milau is is a Chartered Professional Accountant (Chartered Accountant). Mr Milau is Chief Executive Officer ("CEO") and Director of Luna Gold Corp. Prior to this he was President and CEO of True Gold Mining Inc. and negotiated and closed its sale to Endeavour Mining Corporation ("Endeavour"), where previously he served as Executive Vice President and CFO. While at Endeavour, Mr. Milau played a leading role in Endeavour's acquisition, financing, development, and operation of four gold mines in Burkina Faso, Côte d'Ivoire, Ghana and Mali. Mr. Milau has finance and capital markets experience as well as operational, government and stakeholder relations experience in West Africa, including successfully negotiating with governments on various mining conventions and tax matters. Prior to these recent roles, Mr. Milau was Treasurer of New Gold Inc. during the company's high growth period from 2008 to 2011 when he was involved in the financing and construction of the New Afton mine in British Columbia.

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

Company	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Director	May 2016	Present
Endeavour Mining Corporation	TSX	Executive Vice President and CFO	April 2011	March 2015
Luna Gold Corp. [2]	TSX	CEO and Director	August 2016	Present
Plateau Uranium Inc.	TSX-V	Director	June 2016	Present
True Gold Mining Inc.[1]	TSX-V	President, CEO and Director	March 2015	May 2016

Note:
1. The Company was acquired by Endeavour in April 2016 and its shares were delisted.
2. The Company has announced it is entered into an agreement to merge with TSX-V listed JDL Gold Corp.

Kenneth W. Pickering., PEng. – 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	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Director	September 2013	Present
Endeavour Silver Corp.	TSX, NYSE	Director	August 2012	Present
THEMAC Resources Group Limited	TSX-V	Director	March 2011	Present
Pan Aust Minerals	ASX	Director	October 2011	Present
Enaex Chile	IPSA	Director	May 2011	Present

Marchand Snyman, CA (SA), CA (Aust.) – 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.

Mr. Snyman has over 18 years of 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, prior to joining HDI in 2006. 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	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Director	August 2008	February 2016
		CFO	August 2008	Present
Heatherdale Resources Ltd.	TSX-V	CFO	November 2009	April 2012
Northcliff Resources Ltd.	TSX	Director and Chairman	January 2013	Present

Ronald W. Thiessen, FCPA – Director, President and Chief Executive Officer

Ronald Thiessen is a Chartered Public 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	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Director	November 1995	Present
		President and CEO	November 2001	Present
Amarc Resources Ltd.	TSX-V, OTCBB	Director	September 1995	Present
		CEO	September 2000	Present
		President	September 2000	November 2014
Detour Gold Corporation	TSX	Director	July 2006	May 2012
Great Basin Gold Ltd.	TSX, NYSE MKT, JSE	Director	October 1993	June 2013
		Chairman	November 2006	June 2013
Quartz Mountain Resources Ltd.	TSX-V	President, CEO and Director	December 2011	Present
Taseko Mines Limited	TSX, NYSE MKT	Director	October 1993	Present
		Chairman	May 2006	Present

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. Prior to joining 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	Name of Market	Positions Held	From	To
Northern Dynasty Minerals Ltd.	TSX, NYSE MKT	Secretary	February 2008	Present
Amarc Resources Ltd.	TSX-V, OTCBB	Secretary	February 2008	Present
Curis Resources Ltd.	TSX	Secretary	June 2013	November 2014
Heatherdale Resources Ltd.	TSX-V	Secretary	June 2013	Present

Company	Name of Market	Positions Held	From	To
Northcliff Resources Ltd.	TSX	Secretary	June 2011	Present
Quartz Mountain Resources Ltd.	TSX-V	Secretary	June 2013	Present
Rathdowney Resources Ltd.	TSX-V	Secretary	March 2011	Present
Rockwell Diamonds Inc.	TSX, OTCBB, JSE	Secretary	February 2008	September 2012
Taseko Mines Limited	TSX, NYSE MKT	Secretary	July 2008	Present

Bruce Jenkins – Senior Vice President, Corporate Development

Bruce Jenkins is an environmental and government relations executive with more than 40 years of experience in project and corporate management. He supports the Pebble Partnership and helps guide environmental studies, mitigation planning 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, a director of the following public companies:

Company	Name of Market	Positions Held	From	To
Rathdowney Resources Ltd.	TSX-V	Director	December 2011	August 2014

Sean Magee – Vice President, Public Affairs

Sean Magee is a former journalist and speech writer with more than 25 years communications experience. His experience and expertise spans the fields of government and stakeholder relations, community and First Nations/Native engagement, media relations, crisis and issues management. He has played a central role at Pebble for more than a decade. Mr. Magee has had a working relationship with Hunter Dickinson Inc. for more than 15 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.

Committees of the Board of Directors

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

Committee	Membership
Audit and Risk Committee	Christian Milau (Chair) Steven Decker Kenneth Pickering
Compensation Committee	Gordon Keep David Laing Kenneth Pickering (Chair)
Nominating and Governance Committee	David Laing (Chair) Christian Milau Steven Decker

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.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or officer of Northern Dynasty is, as of the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, 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, Great Basin Gold Ltd. ("GBG"), a company on whose board Mr. Thiessen formerly served, became insolvent and was liquidated commencing in September 2012. GBG was developing two gold projects using substantial debt financing when gold prices began their precipitous fall. Mr. Thiessen resigned in June 2013.

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 and Regulatory Actions

Legal Proceedings

The Environmental Protection Agency and the Bristol Bay Watershed Assessment

In February 2011, the EPA announced it would undertake a Bristol Bay Watershed Assessment study focusing on the potential effects of large-scale mine development in Bristol Bay and, specifically the Nushagak and Kvichak area drainages. This process was ostensibly 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 CWA to prohibit discharges of dredged or fill material in waters of the US within these drainages. However, evidence exists that the EPA may have been considering a Section 404(c) veto of the Pebble Project at least as far back as 2008 – two years before it received a petition from several Alaska Native tribes.

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 evaluated the effects of a "hypothetical project" that has neither been defined nor proposed by the Pebble Partnership, 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 – because it was 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 over a decade. The EPA also failed to adequately consider the comprehensive and detailed data that the Pebble Partnership provided as part of its 27,000-page Environmental Baseline Document (further described under Environmental Baseline Studies above).

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 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 called upon the EPA to cease such unwarranted actions until such time as a definitive proposal for the development of the Pebble deposit is submitted into the rigorous NEPA permitting process. All submissions prepared by Northern Dynasty and the Pebble Partnership with respect to the EPA's BBWA and CWA 404(c) regulatory action can be found on Northern Dynasty's website.

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, as summarized, 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 the draft report's methodology and findings, many peer review panellists 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". A list of these peer review documents can be found on the Company's website.

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.

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.

On February 28, 2014, the EPA announced the initiation of a pre-emptive regulatory action under Section 404(c) of the CWA to consider restriction or a prohibition on mining activities associated with the Pebble deposit in order to protect aquatic resources in southwest Alaska. In late April 2014, the Pebble Partnership submitted a comprehensive response to the EPA's February 28, 2014 notification letter.

Preliminary Injunction

In late May 2014, the Pebble Partnership filed suit in the US District Court for Alaska and sought an injunction to halt the pre-emptive regulatory action initiated by the EPA under the CWA, asserting that, in the absence of a permit application, the action exceeds the federal agency's statutory authority and violates the Alaska Statehood Act among other federal laws. The State of Alaska and Alaska Peninsula Corporation, an Alaska Native village corporation with extensive land holdings in the Pebble Project area, later joined in the Pebble Partnership's lawsuit against the EPA as co-plaintiffs. On September 26, 2014, a US federal court in Alaska granted the EPA's motion to dismiss the case. This ruling did not judge the merits of the statutory authority case, it only deferred that hearing and judgment until after a final Section 404(c) determination has been made by the EPA. If or when the EPA action is deemed "final", the Pebble Partnership will pursue the underlying case. The Company also appealed the decision to grant the motion to dismiss to the 9th Circuit Court of Appeals. This appeal was denied in May 2015. The Pebble Partnership still holds the option to pursue its statutory authority case in the instance that EPA finalizes a pre-emptive regulatory action under the CWA.

Proposed Determination

On July 18, 2014, EPA Region 10 announced a "Proposed Determination" to restrict the discharge of dredged or fill material associated with mining the Pebble deposit in a 268 square mile area should that disposal result in any of the following: loss of five or more miles of streams with documented salmon occurrence; loss of 19 or more miles of streams where salmon are not documented but that are tributaries of streams with documented salmon occurrence; the loss of 1,100 or more acres of wetlands, lakes, and ponds that connect with streams with documented salmon occurrence or tributaries of those streams; and stream flow alterations greater than 20 percent of daily flow in nine or more linear miles of streams with documented salmon occurrence. Northern Dynasty management does not accept that the EPA has the statutory authority to impose conditions on development at Pebble, or any development project anywhere in Alaska or the US, prior to the formal submission of a development plan and its thorough review by federal and state agencies including development of an Environmental Impact Statement ("EIS") and review under NEPA.

On September 19, 2014, the Pebble Partnership submitted a comprehensive legal and technical response to EPA Region 10's Proposed Determination. Northern Dynasty and the Pebble Partnership believe the Proposed Determination is flawed and unsupported by the administrative record as established by the Bristol Bay Watershed Assessment, and is therefore arbitrary and capricious.

Federal Advisory Committee Act ("FACA") action

On September 3, 2014, the Pebble Partnership initiated a second action against EPA in federal district court in Alaska charging that EPA violated the FACA due to its close interactions with, and the undue influence of Environmental Non-Governmental Organizations and anti-mining activists in developing the BBWA, and with respect to its unprecedented pre-emptive regulatory action under the CWA. On September 24, 2014, the US federal court judge in Alaska released an order recognizing that the EPA agreed not to take the next step to advance its 404(c) regulatory action with respect to southwest Alaska's Pebble Project until at least January 2, 2015.

On November 24, 2014, a US federal court judge in Alaska granted the Pebble Partnership's request for a preliminary injunction in relation to the FACA case. While the preliminary injunction does not resolve the Pebble Partnership's claims that the EPA actions with respect to the BBWA and subsequent 404(c) regulatory action violated FACA, the decision permits the further discovery process of the underlying facts to enable the court to issue a final decision on the merits of the FACA case. Granting of a preliminary injunction also reflects the court's view that PLP has a likelihood of prevailing on the merits of its case. On June 4, 2015, the federal court in Alaska issued an order denying the EPA's motion to dismiss this case.

The Pebble Partnership has filed numerous requests for production of documents and has received tens of thousands of documents produced by the EPA. The Pebble Partnership has also served a number of notices of depositions for current and former EPA employees, EPA contractors and relevant third parties. More than a dozen depositions of EPA witnesses have been completed. Additionally, the Pebble Partnership has asked the Court to compel the Agency and certain third parties to produce documents that are relevant to its FACA claims and that are being improperly withheld. Should the Pebble Partnership prevail in its FACA litigation against the EPA, the federal agency may be unable to rely upon the BBWA as part of the administrative record for any regulatory action at the Pebble Project.

Mediation

On October 27, 2016, the Pebble Partnership and the EPA filed a joint Notice in federal court stating their intent to enter into mediation in an effort to resolve ongoing litigation under FACA.

On December 30, 2016, the Pebble Partnership and the EPA filed a joint Notice in federal court staying the ongoing FACA litigation until March 20, 2017 and, on that date the Pebble Partnership and EPA filed a Joint Motion in federal court to extend a stay of proceedings in ongoing litigation under FACA to May 4, 2017 in the interest of resolving the matter.

To date, no mediator has been appointed as the Company has made substantial progress in recent direct discussions with the EPA and intends to continue negotiating the matter directly, rather than through mediation. Government representatives are actively engaged in these discussions and, along with the Pebble Partnership, are focused on achieving a resolution that will be agreeable to both parties. In the meantime, the Court's Preliminary Injunction of November 25, 2014, will remain in effect for the duration of any stay.

Freedom of Information Act ("FOIA") action

On October 14, 2014, the Pebble Partnership filed suit in federal district court in Alaska charging that EPA has violated the FOIA by improperly withholding documents related to the Pebble Project, the Bristol Bay Watershed Assessment and consideration of a pre-emptive 404(c) veto under the CWA. The EPA moved for summary judgment claiming that its search for and disclosure of documents was adequate. The Pebble Partnership opposed the government's motion, pointing out several deficiencies in the EPA's search parameters and the agency's overly broad assertion of the deliberative process privilege to withhold documents. On August 24, 2015, the US federal court judge granted in part and deferred in part the EPA's motion for summary judgement on the FOIA litigation. The court accepted the EPA's position that it had made an adequate search for documents but left the matter open should the EPA not meet its obligations in the FACA litigation or if additional documents surface. Additionally, the judge ordered EPA to produce a sample of 183 partially or fully withheld documents so that it could conduct an in-camera review of the sample and test the merits of EPA's withholdings under the deliberative process privilege. Before producing this sample to the Court, EPA chose to voluntarily release 115 documents (or 63% of the sample ordered by the Court), relinquishing its claim of privilege as to these documents.

In briefings before the Court, the Pebble Partnership argued that the voluntary release of 63% of the agency's same documents conclusively demonstrated that the EPA had been over broad in its assertion of the deliberative process privilege, particularly because the content of the voluntarily released documents was not in fact deliberative. The Court agreed, finding that EPA "improperly withheld documents in full," and that "many of the documents that defendant released should have been released to begin with because the portions that defendant released were not deliberative." It then ordered the EPA to review an additional 65 documents. Of these 65 documents, the EPA voluntarily released 55 documents in whole or in part (or 85% of the documents). Given the EPA's high rate of release, the Pebble Partnership submitted a brief to the Court arguing that the EPA should be forced to review the remaining documents being withheld and arguing that judgment should not be granted to the agency at this time. The Court agreed, concluding that it had "no confidence that [EPA] has properly withheld documents, either in full or in part, pursuant to the deliberative process privilege." The Court reiterated its earlier finding that EPA had been withholding documents that "should never have been withheld to begin with." As a result, the Court ordered the Agency to re-evaluate all remaining documents EPA is withholding in response to the Pebble Partnership's January 2014 FOIA request and to submit these documents for in-camera review. After this review, the Court issued an order resolving Pebble's challenges to the remaining withholdings and forcing EPA, yet again, to produce additional documents that the agency had been improperly withholding for over two years.

Office of the EPA Inspector General ("OIG") review

Counsel for Northern Dynasty and the Pebble Partnership has submitted numerous letters to the independent OIG since January 2014, raising concerns of apprehension of bias, process irregularities and undue influence by environmental organizations in the EPA's preparation of the Bristol Bay Watershed Assessment. In response to Congressional and other requests, on May 2, 2014, the OIG announced that it would investigate the EPA's conduct in preparing *An Assessment of Potential Mining Impacts on Salmon Ecosystems of Bristol Bay, Alaska* , "to determine whether the EPA adhered to laws, regulations, policies and procedures in developing its assessment of potential mining impacts in Bristol Bay, Alaska." On January 13, 2016, the OIG published its report (the "OIG Report"). While acknowledging significant "scope limitations" in its review and subsequent OIG Report, the OIG concluded that: "we found no evidence of bias in how the EPA conducted its assessment of the Bristol Bay watershed, or that the EPA pre-determined the assessment outcome," but that an EPA Region 10 employee may have been guilty of "a possible misuse of position."

Several other investigations of EPA conduct at Pebble contradict the OIG Report. The US Congress' House Committee on Oversight and Government Reform found "that EPA employees had inappropriate contact with outside groups and failed to conduct an impartial, fact-based review of the proposed Pebble mine." In addition, a report by former United States Senator and Defense Secretary William S. Cohen and his firm (further described below), said their investigation "raise(s) serious concerns as to whether EPA orchestrated the process to reach a pre-determined outcome; had inappropriately close relationships with anti-mine advocates; and was candid about its decision-making process."

The findings of the OIG Report are not expected to materially affect the Pebble Partnership's strategy for addressing the EPA's CWA Section 404(c) regulatory action. The Company remains confident that the Pebble Project will ultimately enter federal and state permitting unencumbered by any extraordinary development restrictions.

Cohen report

In March 2015, William Cohen and his firm, The Cohen Group, assisted by the law firm DLA Piper, was retained by the Pebble Partnership to conduct an independent review of whether the EPA acted fairly in connection with its evaluation of potential mining in the Bristol Bay watershed. Secretary Cohen was requested to evaluate the fairness of EPA's actions and decisions in this matter based upon a thorough assessment of the facts and relying on his experience as a senior government official, as well as his 24 years as a member of the US Senate and House of Representatives.

A team of independent investigators employed by The Cohen Group and DLA Piper reviewed thousands of documents secured through FOIA requests and interviewed approximately 60 individuals involved with the EPA or its review of the Pebble Project. On October 6, 2015, Mr. Cohen released his report entitled *Report of an Independent Review of the United States Environmental Protection Agency's Actions in Connection with its Evaluation of Potential Mining in Alaska's Bristol Bay Watershed*. The report stated the conclusion of Mr. Cohen that he did not believe the EPA used the "fairest and most appropriate process" in its proposed pre-emptive regulatory action under the CWA 404(c).

Mr. Cohen urged policymakers to require that the permitting process under NEPA and the regulations developed by the Council on Environmental Quality (the "Permit/NEPA Process") be followed. Mr. Cohen commented that the Permit/NEPA Process is more comprehensive than the pre-emptive Section 404(c) action employed by the EPA and he could find no valid reason why that process was not used.

The Cohen report also raised a number of concerns about the EPA's Bristol Bay Watershed Assessment study and the CWA Section 404(c) regulatory action, including possible prejudice and pre-determination of outcomes by the EPA, inappropriately close relationships between certain EPA officials and anti-mine advocates, EPA's candor with respect to certain actions it took, lack of consistency between the BBWA and the proposed determination, and lack of cooperation by EPA personnel with respect to Congressional queries and FOIA requests.

Northern Dynasty does not consider the Cohen report to constitute an "expert's" report but rather considers it to constitute an informed view of the Company's treatment by the EPA expressed by a person familiar with governmental due process goals. Mr. Cohen has appeared before a Congressional committee (House Committee on Science, Space and Technology) with respect to the findings in his report.

US House Committee on Science, Space and Technology

On February 22, 2017, the US House Committee on Science, Space and Technology Chairman Lamar Smith sent a letter to the EPA Administrator Scott Pruitt recommending that “the incoming Administration rescind the EPA’s proposed determination to use Section 404(c) in a pre-emptive fashion for the Pebble Mine in Bristol Bay, Alaska. This simple action will allow a return to the long-established Clean Water Act permitting process and stop attempts by the EPA to improperly expand its authority. Moreover, it will create regulatory certainty for future development projects that will create jobs and contribute to the American economy.” Multi-dimensional Strategy In summary, in 2016 the Pebble Partnership has advanced a Multi-dimensional Strategy to address the EPA’s pre-emptive regulatory action under Section 404(c) of the CWA. The goal is to position the Pebble Project to initiate federal and state permitting under NEPA unencumbered by any extraordinary development restrictions imposed by the federal agency. This strategy includes three discrete pieces of litigation against the EPA, including:

- challenging the EPA’s statutory authority to pre-emptively impose development restrictions at the Pebble Project under Section 404(c) of the CWA prior to the Pebble Partnership submitting a proposed development plan for the project or the development of an EIS under NEPA;
- alleging that the EPA violated FACA in the course of undertaking the Bristol Bay Watershed Assessment and subsequent Section 404(c) of the CWA regulatory action; and
- alleging that the EPA is unlawfully withholding relevant documentation and other information sought by the Pebble Partnership under FOIA.

In 2017, the Company intends to continue with the Multi-dimensional Strategy and the Pebble Partnership plans to engage in direct discussion, including possible mediation with the EPA. There can be no assurance of the results of the discussion and possible mediation with the EPA. Even if the dealings with the EPA are successful and the permitting process for the Pebble Project commences, there can be no assurance that the permits required to build and operate the Pebble Project will be successfully secured.

Northern Dynasty and the Pebble Partnership are represented by respected international law firm Steptoe & Johnson LLP ("Steptoe"), which for more than seven decades has been acknowledged as a leader in litigation and advocacy in Washington DC. Steptoe and the Pebble Partnership have agreed to cap legal fees related to the FACA suit and other ongoing legal matters at US$1 million to the point at which motions for summary judgment in the case have been fully argued to the court and are ripe for adjudication, expected to be in 2017. Steptoe will be due a success fee payment upon prevailing in the FACA litigation or arising from other positive outcomes (see the Company’s *Management Discussion and Analysis* for the year ended December 31, 2016 for additional information).

Other Matters

On February 14, 2017, short seller investment firm Kerrisdale Capital Management LLC published a negative piece (the “Kerrisdale Report”) regarding the Pebble Project, which the Company is attempting to develop. Kerrisdale is not a mining company and does not disclose any record of success in mining investments or issuing mining valuation or investment reports. On the contrary, Kerrisdale has a track record of aggressive short selling and activism. In contrast, Northern Dynasty’s Pebble team has extensive experience in mining and a formidable track record of success in developing and operating mines internationally. The Kerrisdale report relies on anonymous co-authors whose mining credentials, if any, Kerrisdale has not disclosed and who likewise may hold or have held short positions in Northern Dynasty. Specifically, Kerrisdale has not disclosed if these anonymous authors have any requisite technical qualifications or practical mining experience to substantiate the claims of the short report. In contrast, Northern Dynasty publicly files technical reports which have been certified by named, independent, experienced and reputable Qualified Persons (as defined by securities laws) who have certified the accuracy and completeness of these reports. An internationally recognized engineering firm conducted and compiled an extensive and independent Preliminary Assessment (also referred to as a Preliminary Economic Assessment, or “PEA”) of the Pebble Project on behalf of Northern Dynasty. This PEA, published in 2011, showed the project has the potential to posesses significant value, as discussed in greater detail above in Item 5 – *Description of Business – Technical Summary – Previous Mine Planning Work*. While the analyses of this assessment now require updating, it remains a source of much useful information and is available for download at www.sedar.com. The PEA shows the large mineral endowment and potential of the Pebble Project. The Kerrisdale’s short report purports to develop a zero value thesis without requesting or having had access to the necessary and extensive technical, analytical, geological and economic information that Northern Dynasty’s Qualified Persons used. No Kerrisdale personnel have visited the Pebble Project or had discussions with Northern Dynasty’s technical team or executives.

On February 15 and 17, 2017, two purported shareholder class actions were filed against the Company and certain of its current officers and directors in US federal courts, specifically the Central District of California (Los Angeles) and the Southern District of New York (New York City). The cases are described below:

1. Diaz v Northern Dynasty et al.- February 2017

In US District Court for the Central District of California, Case 2:17-cv-01241, one Victor Diaz is the named plaintiff and on behalf of other shareholders suing the Company and two of its executives for alleged false or misleading public disclosures. The class consists of all persons who purchased shares of Northern Dynasty between September 16, 2013 and February 13, 2017. Plaintiff seeks to recover compensable damages allegedly caused by Defendants' allegedly violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b5. Defendants are alleged to have made false and/or misleading statements and/or failed to disclose that: (1) the Company's Pebble Project is commercially unviable; (2) the Company's Pebble Project had a negative present value; and (3) as a result, Defendants' statements about the Company's business, operations and prospects were materially false and misleading and/or lacked a reasonable bases at all relevant times. The suit was filed immediately after the Kerrisdale short report, and cites that report as evidence of its contentions.

No specific amounts are claimed by Diaz. The Company after discussion with counsel believes the claims to be wholly without merit and will vigorously defend itself and its officers against them.

2. Kirwin v Northern Dynasty et. al.- February, 2017

In US District Court for the Southern District of New York, Case No. 17-cv-1238 Filed 02/17/17 one Patrick O. Kirwin filed a class action suit against Northern Dynasty and the same two executives as did Mr. Diaz in the above suit. The Kirwin suit also claims under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5. The Kirwin class period begins on September 16, 2013, and makes very similar claims to Diaz namely that Northern Dynasty made false and/or misleading statements and/or failed to disclose that: (i) The Pebble Project carries a negative net present value; (ii) the Pebble Project is not commercially viable; and (iii) as a result of the foregoing, the Company's financial statements, as well as Defendants' statements about Northern Dynasty's business, operations, and prospects, were false and misleading and/or lacked a reasonable basis. Like the similarly worded Diaz suit above, the Kirwin also suit references the Kerrisdale short opinion as the basis for its contentions using the identical subheading as in Diaz in the pleadings namely, "The Truth Emerges".

No specific amounts are claimed by Kirwin. The Company after discussion with counsel believes the claims to be wholly without merit and will vigorously defend itself and its officers against them.

3. Other Potential Class Actions

After the Kerrisdale short opinion a number of other US law firms announced they were "investigating" Northern Dynasty in connection with the Kerrisdale allegations and were seeking potential lead plaintiffs. Therefore it is quite possible that other lawsuits will be filed making similar claims as Diaz and Kirwin and if they arise these suits too will be vigorously defended against.

Risk Factors

The outcomes of the legal proceedings described above cannot be predicted and resolution of these legal proceedings will likely involve significant expense to the Company. In addition, adverse outcomes in these legal proceedings may have a material adverse effect on the Company's business, future prospects and financial condition. Investors should refer to the risk factors identified above under Item 5 – *Description of Business – Risk Factors*, starting on page 31, for a discussions of risks relating to the legal proceedings described above.

Regulatory Actions

There have been no:

(a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year, or

(b) other material penalties or sanctions imposed by a court or regulatory body against the Company, or

(c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

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 (see Item 10) 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, 2016, the Company paid HDSI approximately $3.6 million (2015 – $4.7 million) for services rendered by HDSI and reimbursed HDSI approximately $0.5 million (2015 – $0.6 million) for third party costs incurred on the Company's behalf. In 2015, the Company also received cash proceeds of approximately $0.3 million for the purchase of certain of the Company's marketable securities. Certain members of the Company's senior management including the Company's CFO 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

Northern Dynasty's only material contracts as of March 28, 2016 are:

- Corporate Services Agreement between Northern Dynasty and Hunter Dickinson Services Inc. dated July 2, 2010.

Other agreements are in the normal course of business.

Item 16. Interests of Experts

David Gaunt, P.Geo., James Lang, P.Geo., Eric Titley, P.Geo., of Hunter Dickinson Services Inc., and Ting Lu, P.Eng., Tetra Tech are persons:

- who are 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
- whose profession or business gives authority to the report made by each of them.

Messrs. Gaunt, Lang and Titley hold interests 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. Ms. Lu holds no interest in the Company.

Stephen Hodgson, P.Eng., is a person who is named as an expert in this Annual Information Form and whose profession or business gives authority to the filing. Mr. Hodgson holds interests 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 have prepared the Report of Independent Registered Public Accounting Firm on the consolidated financial statements of the Company as at and for the years ended December 31, 2016 and December 31, 2015. Deloitte LLP is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia and the rules and standards of the Public Company Accounting Oversight Board and the securities laws and regulations administered by the SEC .

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 SEC's 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:

- this AIF, together with any document incorporated herein by reference;
- 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
- 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 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 Marcel de Groot, David De Witt, and Steven Decker. Mr. de Groot 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. Mr. Decker is a Chartered Financial Analyst with an MBA, Finance. Mr. Pickering has been a member on other audit committees of publicly listed companies. Mr. Milau, the Audit Committee Chairman is a Chartered Professional 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 from page 40.

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 SEC, 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 2016	Year ended December 31 2015
Audit Fees	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.	$ 122,000	$ 167,000
Audit-Related Fees	include services that are traditionally performed by the auditor. These audit-related services primarily related to services in connection with assistance with securities filings .	182,000	70,000
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.	–	–
All Other Fees	include all other non-audit services.	–	–
Total		$ 304,000	$ 237,000

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 SEC, 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 Chair may approve services to be performed by the independent auditors and the fee 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.

(xi) The Committee shall oversee the implementation by management of appropriate information technology systems for the Company, including as required for proper financial reporting and compliance.

(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;

(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 Accountability Board and the Public Company Accounting Oversight Board ("PCAOB") and that the independent auditor satisfies all applicable Canadian independence standards (Canadian Auditing Standard 200), PCAOB Rule 3526 and SEC Regulation S-X, Section 2- 01. The Committee shall obtain from the auditor a written description of all relationships between the auditor and the Company and persons in a financial reporting oversight role at the Company as per PCAOB Rule 3526, that may reasonably be thought to bear on independence.

(iii) The Committee shall discuss with the independent auditor the matters required to be discussed by PCAOB Auditing Standard No. 16 and Canadian Auditing Standard 260 relating to the conduct of the audit.

(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 mitigate 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 required CEO and CFO annual certifications.

(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. In connection with its review of interim and annual financial statements and related management's discussion and analysis, the Committee shall confirm with management that the Company (with CEO and CFO participation) has taken all actions required in connection with the certifications required by National Instrument NI 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings.

(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 reports relating to the Audit 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 controls, is controlled by or is under common control with another person. "Related party" includes Hunter Dickinson Services Inc., its principals, and their affiliates.

(f) ***Additional duties***. The Committee shall perform the following additional duties:

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

(ii) The Committee shall oversee the Company's insurance program..

(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.

(v) The Committee shall review and discuss with management the requirement for annual public disclosure pursuant to the Extractive Sector Transparency Measures Act and shall be responsible for approving such disclosures.

2. Structure and Membership

(a) ***Number and qualification***.

The Committee shall consist of three persons unless the Board should from time to time otherwise determine. All members of the Committee shall meet the experience and financial literacy requirements of 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.

(b) ***Selection and Removal***.

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

(c) ***Independence***.

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

(d) ***Chair***.

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

(e) ***Compensation***.

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

(f) **Term**.

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

3. Procedures and Administration

(a) ***Meetings***.

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

(b) ***Subcommittees***.

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

(c) ***Reports to the Board***.

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

(d) ***Charter***.

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

(e) ***Independent Advisors***.

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

(f) ***Investigations***.

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

(g) ***Annual Self-Evaluation***.

The Committee shall evaluate its own performance at least annually.

4. Additional Powers

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

5. Limitation of 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*

(a) 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 registrant'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

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Consent of Report of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in Registration Statement No 333-209921 on Form F-3 and to the use of our report dated March 30, 2017 relating to the consolidated financial statements of Northern Dynasty Minerals Ltd. and subsidiaries (which report expresses an unmodified/unqualified opinion and includes an emphasis of matter paragraph relating to going concern uncertainty) appearing in this Annual Report on Form 40-F of Northern Dynasty Minerals Ltd. for the year ended December 31, 2016.

/s/ Deloitte LLP

Chartered Professional Accountants
March 30, 2017
Vancouver, Canada

Member of Deloitte Touche Tohmatsu Limited

CONSENT OF J. DAVID GAUNT

To: United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")
Annual Report on Form 40-F
Consent of Expert

This consent is provided in connection with the Company's annual report on Form 40-F for the year ended December 31, 2016 to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**") and any amendments thereto (the "**Annual Report**"). The Annual Report incorporates by reference, among other things, the Company's Annual Information Form for the year ended December 31, 2016 (the "**AIF**"), and the Company's Management Discussion and Analysis for the year ended December 31, 2016 (the " **MD&A**").

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

- 2014 Technical Report on the Pebble Project, Southwest Alaska, USA, effective date December 31, 2014

and to references to the Technical Report, or portions thereof, in the Annual Report, the AIF, the MD&A and the Company's registration statement on Form F-3, as amended (SEC File No. 333-209921) (the "**Registration Statement**") and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report, the AIF, the MD&A and the Registration Statement.

Dated the 30th day of March, 2017.

Yours truly,

/ J. David Gaunt/

J. David Gaunt, P.Geo.
Hunter Dickinson Services Inc.

CONSENT OF STEPHEN HODGSON

To: United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")
Annual Report on Form 40-F
Consent of Expert

This consent is provided in connection with the Company's annual report on Form 40-F for the year ended December 31, 2016 to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**") and any amendments thereto (the "**Annual Report**"). The Annual Report incorporates by reference, among other things, the Company's Annual Information Form for the year ended December 31, 2016 (the "**AIF**"), and the Company's Management Discussion and Analysis for the year ended December 31, 2016 (the " **MD&A**").

I hereby consent to the use of my name in connection with reference to my involvement in the preparation of the AIF and MD&A, as incorporated by reference into the Annual Report and the Company's registration statement on Form F-3, as amended (SEC File No. 333-209921).

Dated the 30th day of March, 2017.

Yours truly,

/Stephen Hodgson/

Stephen Hodgson, PEng.
Vice President, Engineering
Northern Dynasty Minerals Ltd.

CONSENT OF JAMES LANG

To: United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")
Annual Report on Form 40-F
Consent of Expert

This consent is provided in connection with the Company's annual report on Form 40-F for the year ended December 31, 2016 to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**") and any amendments thereto (the "**Annual Report**"). The Annual Report incorporates by reference, among other things, the Company's Annual Information Form for the year ended December 31, 2016 (the "**AIF**"), and the Company's Management Discussion and Analysis for the year ended December 31, 2016 (the " **MD&A**").

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and to references to the Technical Report, or portions thereof, in the Annual Report, the AIF, the MD&A and the Company's registration statement on Form F-3, as amended (SEC File No. 333-209921) (the "**Registration Statement**") and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report, the AIF, the MD&A and the Registration Statement.

Dated the 30th day of March, 2017.

Yours truly,

/James Lang/

James Lang, P.Geo.
Hunter Dickinson Services Inc.

CONSENT OF TING LU

To: United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")
Annual Report on Form 40-F
Consent of Expert

This consent is provided in connection with the Company's annual report on Form 40-F for the year ended December 31, 2016 to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**") and any amendments thereto (the "**Annual Report**"). The Annual Report incorporates by reference, among other things, the Company's Annual Information Form for the year ended December 31, 2016 (the "**AIF**"), and the Company's Management Discussion and Analysis for the year ended December 31, 2016 (the " **MD&A**").

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and to references to the Technical Report, or portions thereof, in the Annual Report, the AIF, the MD&A and the Company's registration statement on Form F-3, as amended (SEC File No. 333-209921) (the "**Registration Statement**") and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report, the AIF, the MD&A and the Registration Statement.

Dated the 30th day of March, 2017.

Yours truly,

/Ting Lu/

Ting Lu, P.Eng.
Tetra Tech

CONSENT OF ERIC TITLEY

To: United States Securities and Exchange Commission

Re: Northern Dynasty Minerals Ltd. (the "Company")
Annual Report on Form 40-F
Consent of Expert

This consent is provided in connection with the Company's annual report on Form 40-F for the year ended December 31, 2016 to be filed by the Company with the United States Securities and Exchange Commission (the "**SEC**") and any amendments thereto (the "**Annual Report**"). The Annual Report incorporates by reference, among other things, the Company's Annual Information Form for the year ended December 31, 2016 (the "**AIF**"), and the Company's Management Discussion and Analysis for the year ended December 31, 2016 (the " **MD&A**").

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

- 2014 Technical Report on the Pebble Project, Southwest Alaska, USA, effective date December 31, 2014

and to references to the Technical Report, or portions thereof, in the Annual Report, the AIF, the MD&A and the Company's registration statement on Form F-3, as amended (SEC File No. 333-209921) (the "**Registration Statement**") and to the inclusion and incorporation by reference of the information derived from the Technical Report in the Annual Report, the AIF, the MD&A and the Registration Statement.

Dated the 30th day of March, 2017.

Yours truly,

/Eric Titley/

Eric Titley, P.Geo.
Hunter Dickinson Services Inc.