



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED
MARCH 31, 2018**

(Expressed in thousands of Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

	Notes	March 31 2018	December 31 2017
ASSETS			
Non-current assets			
Restricted Cash		\$ 778	\$ 757
Mineral property, plant and equipment	4	137,105	133,711
Total non-current assets		137,883	134,468
Current assets			
Investments	5	34,218	-
Amounts receivable from related party	9	4	-
Amounts receivable and prepaid expenses	6	999	994
Cash and cash equivalents	7	27,956	67,158
Total current assets		63,177	68,152
Total Assets		\$ 201,060	\$ 202,620
EQUITY			
Capital and reserves			
Share capital	8	\$ 516,108	\$ 513,304
Reserves		98,300	95,168
Deficit		(482,048)	(470,971)
Total Equity		132,360	137,501
LIABILITIES			
Non-current liabilities			
Non-refundable early option price installment	3	48,368	47,149
Trade and other payables	10	6,821	6,650
Total non-current liabilities		55,189	53,799
Current liabilities			
Payables to related parties	9	1,170	1,052
Trade and other payables	10	12,341	10,268
Total current liabilities		13,511	11,320
Total Liabilities		68,700	65,119
Total Equity and Liabilities		\$ 201,060	\$ 202,620

Commitments (note 13)

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

These condensed consolidated interim 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.

Condensed Consolidated Interim Statements of Comprehensive Loss

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

	Notes	Three months ended March 31	
		2018	2017
Expenses			
Exploration and evaluation expenses	4, 12	\$ 7,721	\$ 1,780
General and administrative expenses	12	2,281	2,548
Legal, accounting and audit		647	1,305
Share-based compensation	8(d)	836	507
Loss from operating activities		11,485	6,140
Foreign exchange gain		(265)	(647)
Interest income		(107)	(82)
Other income		(21)	-
Loss before tax		11,092	5,411
Deferred Income tax (recovery) expense		-	-
Net loss		\$ 11,092	\$ 5,411
Other comprehensive (income) loss			
Items that may be subsequently reclassified to loss			
Foreign exchange translation difference	4, 8(g)	(2,999)	1,345
Other comprehensive (income) loss		\$ (2,999)	\$ 1,345
Total comprehensive loss		\$ 8,093	\$ 6,756
Basic and diluted loss per common share	11	\$ 0.04	\$ 0.02

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

Northern Dynasty Minerals Ltd.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in thousands of Canadian Dollars)

	Notes	Three months ended March 31	
		2018	2017
Operating activities			
Net loss		\$ (11,092)	\$ (5,411)
<u>Non-cash or non operating items</u>			
Depreciation		58	42
Interest earned on cash		(107)	(82)
Share-based compensation		836	507
Unrealized exchange loss (gain)		226	(237)
<u>Changes in working capital items</u>			
Amounts receivable and prepaid expenses		(8)	144
Amounts receivable from a related party		(4)	-
Trade and other payables		2,374	406
Payables to related parties		184	235
Net cash used in operating activities		(7,533)	(4,396)
Investing activities			
Purchase of held-to-maturity investments		-	(14,873)
Purchase of investments		(33,318)	-
Interest received on cash and cash equivalents		54	28
Net cash used in investing activities		(33,264)	(14,845)
Financing activities			
Net proceeds from bought deal financing	8(b)	-	45,898
Proceeds from the exercise of share purchase options and warrants	8(c)-(d)	2,051	5,691
Net cash from financing activities		2,051	51,589
Net (decrease) increase in cash and cash equivalents		(38,746)	32,348
Effect of exchange rate fluctuations on cash and cash equivalents		(456)	171
Cash and cash equivalents - beginning balance		67,158	7,196
Cash and cash equivalents - ending balance	7	\$ 27,956	\$ 39,715

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

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

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

	Notes	Share capital		Reserves					Deficit	Total equity
		Number of shares (note 8(a))	Amount	Equity settled share-based compensation reserve	Foreign currency translation reserve (note 8(g))	Investment revaluation reserve	Share Purchase Warrants (note 8(c))			
Balance at January 1, 2017		270,869,561	\$ 452,132	\$ 58,926	\$ 36,233	\$ (2)	\$ 7,664	\$ (406,106)	\$ 148,847	
Common shares issued on exercise of options per option plan	8(d)	986,200	1,603	-	-	-	-	-	1,603	
Common shares issued on exercise of options not under option plan	8(c)	100,000	40	-	-	-	-	-	40	
Common shares issued upon exercise of warrants	8(c)	6,591,812	4,048	-	-	-	-	-	4,048	
Fair value allocated to shares issued on options exercised per plan		-	697	(697)	-	-	-	-	-	
Fair value allocated to shares issued on options exercised not under option plan		-	38	-	-	-	(38)	-	-	
Fair value and costs allocated to share capital on exercise of warrants		-	1,234	-	-	-	(1,234)	-	-	
Common shares issued pursuant to bought deal financing, net of transaction costs	8(b)	20,240,000	45,898	-	-	-	-	-	45,898	
Share-based compensation		-	-	507	-	-	-	-	507	
Net loss		-	-	-	-	-	-	(5,411)	(5,411)	
Other comprehensive loss net of tax		-	-	-	(1,345)	-	-	-	(1,345)	
Total comprehensive loss									(6,756)	
Balance at March 31, 2017		298,787,573	\$ 505,690	\$ 58,736	\$ 34,888	\$ (2)	\$ 6,392	\$ (411,517)	\$ 194,187	
Balance at January 1, 2018		308,237,856	\$ 513,304	\$ 62,404	\$ 27,934	\$ (2)	\$ 4,832	\$ (470,971)	\$ 137,501	
Common shares issued on exercise of options per option plan	8(d)	33,000	23	-	-	-	-	-	23	
Common shares issued upon exercise of warrants	8(c)	3,545,452	2,028	-	-	-	-	-	2,028	
Fair value allocated to shares issued on options exercised per plan		-	14	(14)	-	-	-	-	-	
Fair value and costs allocated to share capital on exercise of warrants		-	739	-	-	-	(739)	-	-	
Prior impairment loss reclassified to revaluation reserve		-	-	-	-	(15)	-	15	-	
Share-based compensation		-	-	901	-	-	-	-	901	
Net loss		-	-	-	-	-	-	(11,092)	(11,092)	
Other comprehensive loss net of tax		-	-	-	2,999	-	-	-	2,999	
Total comprehensive loss									(8,093)	
Balance at March 31, 2018		311,816,308	\$ 516,108	\$ 63,291	\$ 30,933	\$ (17)	\$ 4,093	\$ (482,048)	\$ 132,360	

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

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 NYSE American Exchange ("NYSE American") under the symbol "NAK". The Company's corporate office is located at 1040 West Georgia Street, 15th floor, Vancouver, British Columbia.

The condensed consolidated interim financial statements ("Financial Statements") of the Company as at and for the three months ended March 31, 2018, include financial information for the Company and its subsidiaries (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"). All US dollar amounts when presented are expressed in thousands, unless otherwise stated.

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 period ended March 31, 2018, the company raised \$2,051 from the exercise of share purchase options and warrants.

As at March 31, 2018, the Group has \$27,956 in cash and cash equivalents for its operating requirements and a further \$34,218 in low risk short term investments-which mature and become available to the Group at different dates within the next eight months. The Group incurred a net loss of \$11,092 and \$5,411 during the three months ended March 31, 2018 and 2017, respectively and had a deficit \$482,063 as at March 31, 2018. The Group 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 in order to progress any material expenditures at the Pebble Project. 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 Group's ability to continue as a going concern.

In December 2017, the Group through the Pebble Partnership, filed documentation for a Clean Water Act 404 permit with the US Army Corps of Engineers ("USACE") thereby initiating federal and state permitting for the Pebble Project under the National Environmental Protection Act. The documentation was accepted as complete by the USACE in January 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of Compliance*

These Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC's"). They do not include all of the information required by International Financial Reporting

Northern Dynasty Minerals Ltd.

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Standards ("IFRS") for complete annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended December 31, 2017, which were filed under the Company's profile on SEDAR at www.sedar.com. Accounting policies applied herein are the same as those applied in the Group's annual financial statements except for those discussed below in (c) and (d) below.

These Financial Statements were authorized for issue by the Audit and Risk Committee on May 9, 2018.

(b) *Use of Judgments and Estimates*

In preparing these Financial Statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

There was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Group's consolidated financial statements for the year ended December 31, 2017.

(c) *Changes in Significant Accounting Policy*

IFRS 9, Financial Instruments ("IFS 9")

The Group has adopted IFRS 9 effective January 1, 2018. There have been no changes to the carrying value of the Group's assets or liabilities as a result of the new accounting standard. The Group has taken an exemption not to restate comparative for prior periods with respect to the classification and measurement requirements of IFRS 9. Accordingly, comparative information for 2017 is presented under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement of financial assets

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of *held to maturity*, *loans and receivables* and *available-for-sale*.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income ("FVTOCI") (debt / equity investment); or Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Note	Original classification under IAS 39	New classification under IFRS 9
Marketable securities	1	Available-for-sale	FVTOCI-equity instrument
Restricted cash		Loans and receivables	Amortised cost
Amounts receivable		Loans and receivables	Amortised cost
Cash and cash equivalents		Loans and receivables	Amortised cost

Notes

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For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

1. The Group has marketable securities which although nominal in value have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve within equity.

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

The Group also adopted the following standard and annual improvements that became effective January 1, 2018:

- IFRS 15, *Revenue from Contracts with Customers*
- Annual Improvements to IFRS standards 2014-2016 Cycle

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

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

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

- IFRS 16, *Leases* ("IFRS 16")

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. IFRS 16 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.

3. FRAMEWORK AGREEMENT WITH FIRST QUANTUM MINERALS LTD.

In December 2017, the Group announced the signing of a framework agreement with First Quantum Minerals Ltd. ("First Quantum"). The framework agreement contemplates that an affiliate of First Quantum may subsequently execute an option agreement with the Group. The option agreement contemplates an option payment of US\$150 million staged over four years which will entitle First Quantum to acquire the right to earn a 50% interest in the Pebble Partnership for US\$1.35 billion. The option period may be extended for up to 2 years by First Quantum making payments to be agreed upon which amounts will be offset against the US\$1.35 billion additional investment amount. The Group received a non-refundable early option payment of US\$37,500 (\$48,368) ("Non-refundable Early Option Price Installment") in December 2017. The Non-refundable Early Option Price Installment is to be applied solely for the purpose of progressing the permitting of the Pebble Project.

As the entry by First Quantum into the option agreement is contingent upon the completion of due diligence, obtaining necessary regulatory approvals and the successful negotiation of the final form of the option agreement and associated commercial agreements, the Group has recorded the Non-refundable Early Option Price Installment as a non-current payable.

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For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

4. MINERAL PROPERTY, PLANT AND EQUIPMENT

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

<i>Three months ended March 31, 2018</i>	Mineral Property interest ¹	Plant and equipment	Total
Cost			
Beginning and ending balance	\$ 112,541	\$ 1,354	\$ 113,895
Accumulated depreciation			
Beginning balance	-	(734)	(734)
Charge ²	-	(58)	(58)
Ending balance	-	(792)	(792)
Foreign currency translation difference	23,793	209	24,002
Net carrying value - Ending balance	\$ 136,334	\$ 771	\$ 137,105

<i>Year ended December 31, 2017</i>	Mineral Property interest ¹	Plant and equipment	Total
Cost			
Beginning balance	\$ 112,541	\$ 881	\$ 113,422
Additions	-	(473)	(473)
Ending balance	112,541	1,354	113,895
Accumulated depreciation			
Beginning balance	-	(558)	(558)
Depreciation ²	-	(176)	(176)
Ending balance	-	(734)	(734)
Foreign currency translation difference	20,361	189	20,550
Net carrying value - Ending balance	\$ 132,902	\$ 809	\$ 133,711

Notes

1. Comprises the Pebble Project, a contiguous block of 2,402 mineral claims covering approximately 417 square miles located in southwest Alaska, 19 miles (30 kilometers) from the villages of Iliamna and Newhalen, and approximately 200 miles (320 kilometers) southwest of the city of Anchorage.
2. Depreciation is included in exploration and evaluation expenses.

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

5. INVESTMENTS

	March 31 2018	December 31 2017
Guaranteed Investment Certificates	\$ 25,187	\$ -
Corporate bonds	9,031	-
Total	\$ 34,218	\$ -

The investments which are denominated in US dollars have been measured at amortized cost as they are held under a business model where the objective is to collect contractual cash flows and where the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The corporate bonds have low credit risk and a maturity of less than eight months.

6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31 2018	December 31 2017
Sales tax receivable	\$ 119	\$ 96
Amounts receivable	455	487
Prepaid expenses	425	411
Total	\$ 999	\$ 994

7. CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents

	March 31 2018	December 31 2017
Business and savings accounts	\$ 23,615	\$ 62,830
Guaranteed Investment Certificates	4,341	4,328
Total	\$ 27,956	\$ 67,158

(b) Restricted Cash

The Group has a cash deposit of US\$600 (\$774) with a United States financial institution which has been pledged as collateral to the surety provider for the surety bond accepted by the Alaskan regulatory authorities (see below). The cash deposit will be released once any reclamation work required has been performed and assessed by the Alaskan regulatory authorities.

The Group posted a bond of US\$2,000 with the Alaskan regulatory authorities for a performance guarantee related to any potential reclamation liability as a condition of the Miscellaneous Land Use Permit granted to the Pebble Partnership for its ongoing activities on the Pebble Project.

Northern Dynasty Minerals Ltd.

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(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

8. CAPITAL AND RESERVES

(a) Authorized Share Capital

At March 31, 2018, the authorized share capital comprised an unlimited (2017 – unlimited) number of common shares with no par value. All issued shares are fully paid.

(b) Financing

In January 2017, the Group completed a bought deal offering of 20,240,000 common shares at US\$1.85 per common share for gross proceeds of US\$37,444 (\$49,067). After transactions costs of \$3,169, including a 5% commission paid to the underwriters, the Group raised net proceeds of \$45,898.

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

The following reconciles outstanding warrants and non-employee options (options which were not issued under the Group's incentive plan (note 8(d)), each exercisable to acquire one common share of the Company, for the three months ended March 31, 2018 and 2017 respectively:

Exercise price (\$)	Expiry date	2018				Ending Balance
		Beginning Balance	Issued	Exercised	Expired	
Options issued pursuant to the acquisition of Cannon Point ¹						
0.37	June 30, 2019	56,400	-	-	-	56,400
0.40	June 30, 2019	48,050	-	-	-	48,050
0.37	March 10, 2021	9,400	-	-	-	9,400
0.40	March 10, 2021	82,250	-	-	-	82,250
0.37	December 15, 2021	37,600	-	-	-	37,600
0.40	December 12, 2022	56,400	-	-	-	56,400
0.29	December 8, 2024	37,600	-	-	-	37,600
Total		327,700	-	-	-	327,700
Warrants issued pursuant to the acquisition of Mission Gold ¹						
0.55	July 9, 2020	7,125,646	-	(2,761,638)	-	4,364,008
Total		7,125,646	-	(2,761,638)	-	4,364,008
Warrants issued pursuant to financings ²						
0.65	June 10, 2021	27,858,213	-	(783,814)	-	27,074,399
Total		27,858,213	-	(783,814)	-	27,074,399
Grand Total		35,311,559	-	(3,545,452)	-	31,766,107

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For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

Exercise price per common share (\$)	Expiry date	2017				Ending Balance
		Beginning Balance	Issued	Exercised	Expired	
Options issued pursuant to the acquisition of Cannon Point ¹						
0.37	July 23, 2017	18,800	-	-	-	18,800
0.37	June 30, 2019	56,400	-	-	-	56,400
0.40	June 30, 2019 ³	148,050	-	(100,000) ³	-	48,050
0.37	March 10, 2021	9,400	-	-	-	9,400
0.40	March 10, 2021 ³	82,250	-	-	-	82,250
0.37	December 15, 2021	37,600	-	-	-	37,600
0.40	December 12, 2022	56,400	-	-	-	56,400
0.29	December 8, 2024	37,600	-	-	-	37,600
Total		446,500	-	(100,000)	-	346,500
Warrants issued pursuant to the acquisition of Mission Gold ¹						
0.55	July 9, 2020	11,288,698	-	(2,575,360)	-	8,713,338
3.00	September 14, 2017	2,871,676	-	(8,952)	-	2,862,724
Total		14,160,374	-	(2,584,312)	-	11,576,062
Warrants issued pursuant to financings ²						
0.65	June 10, 2021	39,396,410	-	(4,007,500)	-	35,388,910
Total		39,396,410	-	(4,007,500)	-	35,388,910
Grand Total		54,003,284	-	(6,691,812)	-	47,311,472

Notes to previous tables:

1. Pursuant to the acquisition of Cannon Point Resources Ltd. ("Cannon Point") and Mission Gold Ltd. ("Mission Gold") in October 2015 and December 2015 respectively, the Group exchanged options and warrants outstanding in these companies for options and warrants to purchase shares in the Company.
2. The Group issued warrants pursuant to the June 2016 prospectus and July 2016 private placement financings.
3. In the 2016 table, the beginning balance for these options has been revised from what was presented in the prior year. The presentation of the options exercised has also been revised as they were incorrectly shown under options exercised with an expiry date of March 10, 2021. There was no impact on the Financial Statements.

At March 31, 2018, warrants and non-employee options had a weighted average exercise price of \$0.63 (December 31, 2017 - \$0.63) and weighted average remaining life of 3.07 years (December 31, 2017 - 3.26 years).

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

(d) Share Purchase Option Compensation Plan

The following reconciles the Group's share purchase options ("options") issued and outstanding pursuant to the Group's incentive plan for the three months ended March 31, 2018 and 2017:

	2018		2017	
	Number of options	Weighted average exercise price (\$/option)	Number of options	Weighted average exercise price (\$/option)
Continuity of options				
Beginning Balance	19,847,431	1.08	15,861,131	0.92
Expired	-	-	(7,600)	1.77
Exercised	(33,000)	0.69	(986,200)	1.63
Cancelled	(700)	1.75	-	-
Ending Balance	19,813,731	1.08	14,867,331	0.87

Details of options exercised during the three months ended March 31 were as follows:

Period ended March 31, 2018	Number of options	Weighted average exercise price (\$/option)	Weighted average market share price on exercise (\$/option)
January 2018	33,000	0.69	2.00
	33,000	0.69	2.00

Period ended March 31, 2017	Number of options	Weighted average exercise price (\$/option)	Weighted average market share price on exercise (\$/option)
January 2017	502,200	1.60	3.70
February 2017	484,000	1.65	3.15
	986,200	1.63	3.43

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

The following table summarizes information about the Group's options as at the following reporting dates:

Options outstanding	March 31, 2018		December 31, 2017	
	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
Exercise prices (\$)				
0.48	450,000	2.96	450,000	3.21
0.49	6,046,000	3.01	6,058,000	3.26
0.50	3,091,831	2.06	3,107,831	2.30
0.72	200,000	1.46	200,000	1.71
0.89	1,125,000	1.04	1,125,000	1.29
1.75	5,790,900	3.84	5,796,600	4.09
1.77	3,110,000	0.91	3,110,000	1.16
	19,813,731	2.65	19,847,431	2.89

Options exercisable	March 31, 2018		December 31, 2017	
	Number of options exercisable	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average remaining contractual life (years)
Exercise prices (\$)				
0.48	450,000	2.96	450,000	3.21
0.49	3,989,340	3.02	4,001,340	3.26
0.50	3,091,831	2.06	3,107,831	2.30
0.72	200,000	1.46	200,000	1.71
0.89	1,124,998	1.04	1,099,998	1.29
1.75	1,930,300	3.84	1,936,000	4.08
1.77	3,110,000	0.91	3,110,000	1.16
	13,896,469	2.26	13,905,169	2.51

The weighted average exercise price for exercisable options as at March 31, 2018 was \$0.99 (December 31, 2017 - \$0.99) per option.

(e) *Deferred Share Units ("DSUs")*

For the three months ended March 31, 2018, the Group has a total of 458,129 DSUs outstanding (2017 - 458,129).

Northern Dynasty Minerals Ltd.

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For the three months ended March 31, 2018 and 2017

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(f) Restricted Share Units ("RSUs")

The following summarizes the Group's RSUs outstanding for the three months ended March 31, 2018 and 2017:

	2018		2017	
	Number of RSUs	Weighted average fair value (\$/RSU)	Number of RSUs	Weighted average fair value (\$/RSU)
Continuity of RSUs				
Beginning and ending Balance	506,495	2.24	639,031	0.69

(g) Foreign Currency Translation Reserve

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.

9. RELATED PARTY BALANCES AND TRANSACTIONS

The components of transactions to related parties is as follows:

	March 31 2018	December 31 2017
Receivable from related parties		
Hunter Dickinson Services Inc. (b)	\$ 4	\$ -
Total receivable from related parties	\$ 4	\$ -
Payable to related parties		
Hunter Dickinson Services Inc. (b)	\$ 766	\$ 540
Key management personnel (a)	51	93
RSU liability	353	419
Total payables to related parties	\$ 1,170	\$ 1,052

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. 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"), Company Secretary, Senior Vice President ("SVP"), Corporate Development, Vice President ("VP"), Corporate Communications, VP, Engineering and VP, Public Affairs, and Pebble Partnership ("PLP") senior management, the Chief Executive Officer ("PLP CEO"), SVP, Corporate Affairs, VP, Permitting and Chair of Pebble Mines Corp ("PMC Chair"), was as follows:

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Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

Transaction	Three months ended March 31	
	2018	2017
Compensation		
Amounts paid and payable to HDSI for services of KMP employed by HDSI ¹	\$ 883	\$ 861
Amounts paid and payable to KMP ²	1,077	1,037
Bonuses paid to KMP ³	251	
	2,211	1,898
Share-based compensation ⁴	698	469
Total compensation	\$ 2,909	\$ 2,367

Notes:

1. The Group's CEO, CFO, Board Chair and senior management, other than disclosed in note 2 below, are employed by the Group through Hunter Dickinson Services Inc. ("HDSI") (refer (b)).
2. Represents short term employee benefits, including salaries and director's fees paid and payable to the Group's independent directors, PLP CEO, PMC Chair and PLP EVP, SVP and VP.
3. Incentive bonuses were paid to the SVP, Corporate Development, VP, Engineering (payable to HDSI) and the PLP VP Permitting.
4. Includes cost of RSUs and share purchase options issued and /or vesting during the period.

(b) Transactions and Balances with other Related Parties

Hunter Dickinson Services Inc. 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.

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

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For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

Transactions	Three months ended March 31	
	2018	2017
Services rendered by HDSI:	\$ 1,669	\$ 1,172
Technical	897	418
Engineering	376	79
Environmental	257	125
Socioeconomic	147	187
Other technical services	117	27
General and administrative	772	754
Management, corporate communications, secretarial, financial and administration	588	545
Shareholder communication	184	209
Reimbursement of third party expenses	227	155
Conferences and travel	99	87
Insurance	50	-
Office supplies and information technology	78	68
Total value of transactions	\$ 1,896	\$ 1,327

10. TRADE AND OTHER PAYABLES

	March 31	December 31
	2018	2017
Falling due within the year		
Trade ¹	\$ 12,341	\$ 10,268
Total	\$ 12,341	\$ 10,268
Non-current liabilities		
Trade ¹	\$ 6,821	\$ 6,650
Total	\$ 6,821	\$ 6,650

Note

- Includes annual instalments of legal fees of US\$5,289 (\$6,821) due in 2018 and 2019 (non-current) and another additional amount of US\$635 (\$819) payable in 2018.

11. BASIC AND DILUTED LOSS PER SHARE

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

	Three months ended March 31	
	2018	2017
Loss attributable to common shareholders	\$ 11,092	\$ 5,411
Weighted average number of common shares outstanding (000s)	310,006	290,650

Northern Dynasty Minerals Ltd.

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For the three months ended March 31, 2018 and 2017

(Unaudited - Expressed in thousands of Canadian Dollars, unless otherwise stated, except per share or option)

For the three months ended March 31, 2018, the diluted loss per share does not include the effect of 19,813,731 (2017 - 14,867,331) employee options outstanding, 31,766,107 (2017 - 47,311,472) non-employee options and warrants, 458,129 DSUs (2017 - 458,129) and 506,495 RSUs (2017 - 639,031) as they are anti-dilutive.

12. EMPLOYMENT COSTS

During the three months ended March 31, 2018, the Group recorded \$4,039 (2017 - \$2,900) in salaries and benefits, including share-based payments and amounts paid to HDSI (note 9(b)) for services provided to the Group by HDSI personnel.

13. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Group has the following commitments as of March 31, 2018:

	Less than 1 Year	Between 1 and 5 years	Later than 5 years	Total
Anchorage office lease ¹	US\$ 181	US\$ 719	US\$ -	US\$ 900
Pebble Project site leases ²	151	10	-	161
Total	US\$ 332	US\$ 729	US\$ -	US\$ 1,061
Total in Canadian dollars ³	\$ 428	\$ 940	\$ -	\$ 1,368

Notes:

1. The lease expires November 30, 2022.
2. The Group has leases for two hangars at site and for core storage. The core yard lease and the one hanger lease expire June 30 and July, 2018 respectively and the other hanger lease expires May 1, 2019.
3. Converted at the Wall Street Journal closing rate of \$1.2898 per US\$1 on March 31, 2018.

(b) Legal

On February 14, 2017, short seller investment firm Kerrisdale Capital Management LLC published a negative piece (the "Kerrisdale Report") regarding the Pebble Project. Three putative 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.)*, *Kirwin v. Northern Dynasty Minerals Ltd. et al, Case No. 17-cv-01238 (S.D.N.Y.)* and *Schubert v. Northern Dynasty Minerals, Ltd., et al, Case No. 1:17-CV-02437 (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 plaintiffs in both the *Kirwin* and *Schubert* actions voluntarily dismissed their claims without prejudice. The plaintiffs in the *Diaz* action continue to litigate and filed an amended complaint. The Company filed a motion to dismiss the complaint that was recently granted, but the Judge in that action has given the

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plaintiffs until June 18, 2018 to amend their claims. The Company still believes that those allegations are without merit, and it intends to continue defending itself vigorously in the *Diaz* action.

14. FINANCIAL INSTRUMENTS

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, investments and amounts receivable. The Group limits the exposure to credit risk by only investing its cash and cash equivalents, restricted cash and investments with high-credit quality financial institutions in business and saving accounts, guaranteed investment certificates ("GICs"), in government treasury bills and low risk corporate bonds which are available on demand by the Group when required. Amounts receivable (note 6) include vendor advances and refundable deposits. The following is the Group's maximum exposure:

Exposure	March 31 2018	December 31 2017
Amounts receivable	\$ 455	\$ 487
Restricted cash	778	757
Investments	34,218	-
Cash and cash equivalents	27,956	67,158
Total exposure	\$ 63,407	\$ 68,402

(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, restricted cash and investments, where applicable. At the reporting date, cash and cash equivalents were invested in business and savings accounts and GICs (note 7(a)) and investments were invested in GICs and short term low risk corporate bonds (note 5).

The Group's financial liabilities are comprised of trade and other payables (note 10) and payables to related parties (note 9), which are due for payment within 12 months from the reporting date, and non-current trade payables, which are due for payment more than 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, 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 operating results and financial position of the Group are reported in Canadian dollars in the Group's consolidated financial statements. As a result the fluctuation of the US dollar in relation to the Canadian dollar will have an impact upon the losses incurred by the Group as well as

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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:

	March 31 2018	December 31 2017
US dollar denominated financial assets and liabilities		
Financial assets:		
Amounts receivable and prepaid expenses	\$ 645	\$ 552
Investments	34,218	-
Cash and cash equivalents and restricted cash	20,950	60,083
	55,813	60,635
Financial liabilities: Trade and other payables	(19,138)	(16,845)
Net financial assets exposed to foreign currency risk	\$ 36,675	\$ 43,790

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 \$3,667 (December 31, 2017 - \$4,379) in the period. 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, GICs and bonds. 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 or invest in short term, low risk investments 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 \$411 (2017 - \$309).

(e) Fair Value

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

Northern Dynasty Minerals Ltd.
Management's Discussion And Analysis
Three months ended March 31, 2018

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1.1 Date

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") for the three months ended March 31, 2018 of Northern Dynasty Minerals Ltd. ("Northern Dynasty" or the "Company") and the Company's audited consolidated financial statements for the year ended December 31, 2017 (the "Financial Statements") and the annual MD&A for the same period, 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 Interim Financial Statements are presented in accordance with IFRS. This MD&A is prepared as of May 9, 2018. 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:

- our expectations regarding the potential for securing the necessary permitting of a mine at the Pebble Project;
- the outcome of due diligence and negotiations to complete a partnering transaction;
- the outcome of any legal proceedings in which we are engaged;
- our ability to raise capital for the exploration and development activities;
- our expected financial performance in future periods;
- our plan of operations; 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 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;
- that we will successfully complete a partnering transaction, including finalization of definitive agreements and fulfilment of conditions precedent therein, including receipt of all approvals;
- that we will ultimately be able to demonstrate that a mine at the Pebble Project can be economically 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;

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- 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 that 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:

- an inability to ultimately obtain permitting for a mine at the Pebble Project;
- an inability to establish that the Pebble Project may be economically developed and mined or contain commercially viable deposits of ore based on a mine plan for which government authorities are prepared to grant permits;
- an inability to complete a partnering transaction on terms satisfactory to the Company;
- an inability to continue to fund 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;
- uncertainty related to litigation;
- 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 an 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

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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.

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.**

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1.2 Overview

Northern Dynasty is a mineral exploration company which, through subsidiaries, holds a 100% interest in mining claims that are part of or in the vicinity of the Pebble Copper-Gold-Molybdenum-Silver Project (the "Pebble Project" or "Pebble") in southwest Alaska, USA ("US"). The Company's business in Alaska is operated through the Pebble Limited Partnership (the "Pebble Partnership"), a wholly-owned Alaskan registered limited partnership.

The Pebble Project is an initiative to develop one of the world's most important mineral resources. The current estimate of these mineral resources¹ at a 0.30% copper equivalent cut-off grade comprise:

- 6.456 billion tonnes in the combined **Measured and Indicated**² categories at a grade of 0.40% copper, 0.34 g/t gold, 240 ppm molybdenum and 1.7 g/t silver, containing 57 billion pounds of copper, 71 million ounces of gold, 3.4 billion pounds of molybdenum and 345 million ounces of silver; and
- 4.454 billion tonnes in the **Inferred** category at a grade of 0.25% copper, 0.25 g/t gold, 226 ppm molybdenum and 1.2 g/t silver, containing 25 billion pounds of copper, 36 million ounces of gold, 2.2 billion pounds of molybdenum and 170 million ounces of silver.

In the first quarter of fiscal 2018, Northern Dynasty has focused on advancing an option agreement with First Quantum Minerals Ltd. ("First Quantum"), and supporting, through the Pebble Partnership, the development of an Environmental Impact Assessment ("EIS") to advance the Pebble Project through federal permitting.

The Company entered into a framework agreement with First Quantum in December 2017. The framework agreement contemplates that an affiliate of First Quantum may subsequently execute an option agreement involving an option payment of US\$150 million staged over four years, which will entitle First Quantum to acquire the right to earn a 50% interest in the Pebble Partnership for US\$1.35 billion. The option period may be extended for up to 2 years by First Quantum making payments to be agreed upon, and which amounts will be offset against the US\$1.35 billion additional investment amount. First Quantum's entry into the option agreement is contingent on the completion of due diligence, necessary regulatory approvals and the successful negotiation of the final form of the option agreement and associated commercial agreements. First Quantum also made a non-refundable early option payment of US\$37.5 million to be applied solely for the purpose of progressing with permitting of the Pebble Project. Finalization and execution of the option agreement and associated commercial agreements are expected in the second quarter of 2018.

¹ Mineral resources at December 2017 as estimated by David Gaunt, PGeo., a qualified person who is not independent of Northern Dynasty. The mineral resources fall within a volume or shell defined by metal prices (USD) of \$1540/oz for gold, \$3.63/lb for copper, \$12.36/lb for molybdenum and \$20 for silver. A 0.30% copper equivalent (CuEQ) cut-off is considered to be comparable to those used for porphyry deposit open pit mining operations in the Americas. CuEQ calculations use metal prices (USD) of \$1.85/lb for copper, \$902/oz for gold and \$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. Contained metal values are based on 100% recoveries. All mineral resource estimates, cut-offs and metallurgical recoveries are subject to change as a consequence of more detailed analyses that would be required in pre-feasibility and feasibility studies. For additional details, see the Company's **2017 Annual Information Form** and **2018 Technical Report**, both of which are filed under Northern Dynasty's profile at www.sedar.com.

² Measured and Indicated Resources include 0.527 billion tonnes in the Measured category at a grade of 0.33% copper, 0.35 g/t gold, 178 ppm molybdenum and 1.7 g/t silver, and 5.929 billion tonnes in the Indicated category at a grade of 0.41% copper, 0.34 g/t gold, 246 ppm molybdenum and 1.7 g/t silver.

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The Pebble Partnership filed an application for a US Clean Water Act 404 permit with the US Army Corps of Engineers ("USACE") in December 2017, initiating federal permitting for the Pebble Project under the National Environmental Policy Act ("NEPA").

USACE has advised that an EIS would be required to comply with its NEPA review of the Pebble Project. USACE selected AECOM, an experienced and global, integrated engineering, environmental, construction and infrastructure development firm as third-party contractor to support them in completing an EIS for the Pebble Project. Scoping for the EIS began in April 2018.

Corporate

As at March 31, 2018, the Company has \$27.9 million in cash and cash equivalents for its operating requirements and a further \$34.2 million in investments that will become available to the Company at set times during the year. These latter funds and certain amounts included in cash and cash equivalents are to be used solely for permitting activities. As such the Company has prioritized the allocation of the remaining available financial resources in order to meet key corporate expenditure requirements in the near term. 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

The Pebble property ("Pebble") is located in southwest Alaska, approximately 17 miles from the villages of Iliamna and Newhalen, and approximately 200 miles southwest of the city of Anchorage. Situated in an area of rolling hills approximately 1,000 feet above sea-level and 60 miles from tidewater on Cook Inlet, the site conditions are favorable for successful mine site and infrastructure development.

1.2.1.1 Project Background and Status

The Pebble deposit was discovered in 1987 by a prior operator, which by 1997 had developed an initial outline of the deposit.

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 mineral resources in the Pebble deposit, including a substantial volume of higher grade mineralization in its eastern part. The deposit also remains open to further expansion at depth and to the east. 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.

Comprehensive deposit delineation, environmental, socioeconomic and engineering studies of the Pebble deposit began in 2004. A Preliminary Assessment of the Pebble Project was completed in 2011, which provided insights into the size and scale of project that the Pebble resource might support. The Pebble Partnership continued to undertake detailed engineering, environmental and socioeconomic studies over the next two years.

In February 2014, the US EPA announced a pre-emptive regulatory action under the CWA to consider restriction or a prohibition of mining activities associated with the Pebble deposit. From 2014-2017, Northern Dynasty and the Pebble Partnership focused on a multi-dimensional strategy, including legal and other initiatives to ward off this action. These efforts were successful, resulting in the joint settlement

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agreement announced on May 12, 2017, enabling the project to move forward with state and federal permitting.

In the latter part of 2017, a project design based on a smaller mine concept was developed for the Pebble Project, as described in the Project Description which is part of the application for a US Clean Water Act 404 ("CWA 404") permit. The CWA 404 permit application was submitted to USACE on December 22, 2017, initiating federal permitting for the Pebble Project under the NEPA.

The Project Description³ in the permit application envisages the project developed as a 160,000-ton per day open pit mine and processing facility with supporting infrastructure. The latter includes an on-site 230-megawatt power plant, an 83-mile transportation corridor extending from the mine site to a permanent port facility on Cook Inlet and a 188-mile natural gas pipeline from Kenai Peninsula. The proposed Pebble mine would have a development footprint less than half the size previously envisaged, with primary mine facilities outside of the Upper Talarik watershed. Other significant additional environmental safeguards include a more conservative Tailings Storage Facility design, with potentially acid generating tailings stored separately in a dedicated, fully-lined cell; no permanent waste rock piles; and no secondary gold recovery plant (no cyanide usage).

The NEPA process requires a comprehensive 'alternatives assessment' be undertaken to consider a broad range of development alternatives. As such, the final project design and operating parameters for the Pebble Project and associated infrastructure may vary significantly from the project described in the Project Description.

The project proposed in the Project Description uses a portion of the currently estimated Pebble mineral resources. This does not preclude development of additional resources in other phases of the project in the future which, as noted above, would be expected to require comprehensive review by federal, state and local regulatory agencies, including the EIS permitting process under NEPA.

From 2001, when Northern Dynasty's involvement at the Pebble Project began, to March 31, 2018, a total of \$845 million (US\$781 million) has been invested to advance the project.⁴

1.2.1.2 Current Technical Programs

Technical programs in 2018 are focused on continued environmental monitoring and engineering studies to support permitting.

³ Further details can be found in the "**2018 Technical Report on the Pebble Project, Southwest Alaska, USA**", effective date December 22, 2017 by David Gaunt, PGeo., James Lang, PGeo., Eric Titley, PGeo., Ting Lu, PEng., and Stephen Hodgson, Peng., or the Company's 2017 year end materials (**Q4 MD&A** and **2017 Annual Information Form**). These documents are available under Northern Dynasty's profile at www.sedar.com.

⁴ Of this, approximately \$595 million (US\$573 million) was provided by a wholly-owned subsidiary of Anglo American plc which participated in the Pebble Partnership from 2007 to 2013, and the remainder was financed by Northern Dynasty. A major part of the 2007-2013 expenditures were on exploration, resource estimation, environmental data collection and technical studies, with a significant portion spent on engineering of possible mine development models, as well as related infrastructure, power and transportation systems. The mine-site and infrastructure studies completed are not necessarily representative of management's current understanding of the most likely development scenario for the Project, and accordingly, Northern Dynasty is uncertain whether it can realize significant value from this prior work. Environmental baseline studies and data, as well as geological and exploration information, remain important information available to the Company to advance the Project.

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Engineering

Office and field studies are underway to collect additional data to support development of the EIS. In particular, these include additional data collection to support the design and permitting of the transportation and power systems. This work includes detailed reconnaissance of the transportation corridor and geophysical surveys of the marine and lake portions of the proposed natural gas pipeline route and of the proposed port site. Geotechnical drilling will be undertaken in areas of the proposed major facilities at the mine site.

Environmental and Socioeconomic

Environmental Baseline Document and Supplemental Environmental Baseline Document

The 27,000-page Environmental Baseline Document ("EBD") for the Pebble Project was released to the public in January 2012. The purpose of the EBD and Supplemental EBD (see further details below) 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. The EBD is based on extensive environmental baseline data that has been collected since 2004 with the goal to design and plan a project that protects clean water, healthy fish and wildlife populations, and other natural resources in the region. The work 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 2012 EBD 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 during the period 2004-2008 and from some disciplines in 2009. The EBD study is available at <http://pebbleresearch.com/>.

The full range of data from 2009-2013 period was compiled as part of the 2017 program, and will be presented in the Supplemental EBD (2009 to 2013), which is currently in progress.

2018 Field Program

A program of collecting environmental baseline data, including meteorology, wetlands, aquatic resources, marine studies, wildlife and stream flow monitoring is planned.

Community Engagement

Pebble Project technical programs are supported by stakeholder engagement activities in Alaska. The objective of stakeholder outreach programs undertaken by the Pebble Partnership are to:

- advise residents of nearby communities and other regional interests about Pebble work programs and other activities being undertaken in the field;
- provide information about the proposed development plan for the Pebble Project, including potential environmental, social and operational effects, proposed mitigation and environmental safeguards;
- allow the Pebble Partnership to better understand and address stakeholder priorities and concerns with respect to development of the Pebble Project;

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- encourage stakeholder and public participation in the USACE-led EIS permitting process for Pebble; and
- facilitate economic and other opportunities associated with advancement and development of the Pebble Project for local residents, communities and companies.

In addition to meeting with stakeholder groups and individuals, and providing project briefings in communities throughout Bristol Bay and the State of Alaska, the Pebble Partnership's outreach and engagement program includes:

- workforce and business development initiatives intended to enhance economic opportunities for regional residents and Alaska Native corporations;
- initiatives to develop partnerships with Alaska Native corporations, commercial fishing interests and other in-region groups and individuals;
- outreach to elected officials and political staff at the national, state and local levels;
- outreach to third-party organizations and special interest groups with an interest in the Pebble Project, including business organizations, community groups, outdoor recreation interests, Alaska Native entities, commercial and sport fishery interests, conservation organizations, among others; and
- ongoing meetings of the Pebble Project Advisory Committee, a group comprised of prominent Alaskan and national figures assembled in 2017 to provide independent, external advice on the Pebble Project as it advances into federal and state permitting.

Through these various stakeholder initiatives, the Company seeks to advance a science-based project design that is responsive to stakeholder priorities and concerns, provides meaningful benefits and opportunities to local residents, businesses and Alaska Native village corporations, and energizes the economy of Southwest Alaska.

1.2.2 Legal Matters

On February 14, 2017, short seller investment firm Kerrisdale Capital Management LLC published a negative piece (the "Kerrisdale Report") regarding the Pebble Project. Three putative 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.); *Kirwin v. Northern Dynasty Minerals Ltd. et al*, Case No. 17-cv-01238 (S.D.N.Y.); and *Schubert v. Northern Dynasty Minerals, Ltd., et al.*, Case No. 1:17-CV-02437 (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 plaintiffs in both the *Kirwin* and *Schubert* actions voluntarily dismissed their claims without prejudice. The plaintiffs in the *Diaz* action continue to litigate and filed an amended complaint. The Company filed a motion to dismiss the complaint that was recently granted, but the judge in that action has given the plaintiffs until June 18, 2018 to amend their claims. The Company still believes that those allegations are without merit, and intends to continue defending itself vigorously in the *Diaz* action. For further information, refer to the Company's **2017 Annual Information Form** which is filed under Northern Dynasty's profile on www.sedar.com.

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1.2.3 Market Trends

Copper prices were variable in 2013, 2014 and 2015, and the average annual price decreased each year. Prices were variable to improving for most of 2016, 2017 and for most of Q1 2018. Prices dropped in late March, improved to May and have been variable since that time. A recent closing price is US\$3.08/lb.

An uptrend in gold prices that had extended over several years ended in 2013. Prices were variable from 2013 to 2015, and the average annual prices decreased. Gold prices trended upward for most of 2016, with a drop late in the year. Prices have shown some variability, but trended upward in 2017. Gold prices dropped in late 2017, then rebounded in January 2018, and have varied on a day to day basis but the average has been stable since that time. A recent closing price is US\$1,314/oz.

Molybdenum prices weakened in 2012 and 2013. Prices increased from January to August 2014, then began a downtrend that continued to the end of 2015. Prices improved in the first half of 2016, then dropped slightly and were, largely, flat from that time through 2017. Prices have increased in 2018, with a recent price of US\$12.31/lb.

Following 15 months of strong prices, silver 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, but dropped late in the year. Silver prices were variable for most of 2017, before taking a dip in December 2017, rebounding in January 2018 but decreasing in February. Prices have been variable since that time with a recent closing price of US\$16.45/oz.

Average annual prices of copper, gold, molybdenum and silver for the past five years as well as the average prices so far in 2018 are shown in the table below:

Year	Average metal price ¹			
	Copper US\$/lb	Gold US\$/oz	Molybdenum US\$/lb	Silver US\$/oz
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	3.22	1,272	7.26	16.49
2018 (to the date of this MD&A)	3.08	1,308	12.22 ²	16.39

1. Source for copper, gold and silver and molybdenum (2013-2017) is Argus Media at www.metalprices.com
LME Official Cash Price for copper and molybdenum (2013-2017)
LBMA PM Price for gold
London PM fix for silver
2. Source for 2018 prices for molybdenum is Platts; price is average Q1 price

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1.3 Selected Annual Information

Not required for an interim MD&A.

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)	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016
Expenses								
Exploration and evaluation	\$ 7,721	\$ 7,078	\$ 9,807	\$ 3,929	\$ 1,780	\$ 2,610	\$ 2,006	\$ 1,294
General and administrative	2,281	2,099	1,980	2,757	2,548	1,311	1,444	1,844
Legal, accounting and audit ¹	647	1,351	1,475	22,227	1,305	984	1,286	3,318
Share-based compensation	836	1,319	3,474	558	507	714	1,939	186
Other items ²	(393)	(464)	1,152	712	(729)	(95)	(68)	(54)
Loss for the quarter	\$11,092	\$11,383	\$17,888	\$30,183	\$ 5,411	\$ 5,524	\$ 6,607	\$ 6,588
Basic and diluted loss per common share	\$ 0.04	\$ 0.04	\$ 0.06	\$ 0.10	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.03
Weighted average number of common shares (000s)	310,006	306,004	303,962	301,220	290,650	266,767	264,622	230,920

- Legal costs in 2016 to Q2 2017 were incurred primarily to respond to EPA's potential veto on the Pebble Project. In Q2, 2017, following the settlement with the EPA, additional legal fees became payable (see discussion below). As well from Q1 2017, the Company incurred legal costs in response to the Kerrisdale Report and securities class actions (discussed in [1.2.1.3 Legal Matters](#)).
- Other items include interest income and expense, exchange gain or loss, gain or loss on disposal of financial assets and plant and equipment and other income.

Discussion of Quarterly Trends

Exploration and evaluation expenses ("E&E") have fluctuated depending on activities undertaken but has increased in 2017 relative to 2016 as the Company initiated a program of engineering and environmental studies, field investigations and related technical studies to finalize a proposed development plan and prepare documentation for federal and state permitting. A CWA 404 permit application was submitted in Q4 2017 and incentive bonuses were paid. In Q3 2017, the Company recorded the annual claim rental fees payable as compared to the prior years where those fees were recorded in Q3 2016. E&E includes costs for annual claim fees, costs for Native community engagement, select environmental monitoring programs, site leases, land access agreements and technical studies undertaken. In Q1, 2018, the Company has focused on continued environmental monitoring and engineering studies to support permitting. Further incentive bonuses were also paid to key personnel.

General and administrative expenses ("G&A") have fluctuated based on the level of corporate and financing activities undertaken and trended down from Q2 2016 but increased in 2017. In Q1 and Q2 2017, G&A included the costs of discretionary bonuses paid relating to the 2015 and 2016 fiscal periods respectively as well as a performance bonus relating to the completion of the bought deal financing. In Q3 2017, the Group paid short-term incentive compensation to its Board's Chair, CEO and CFO, which was settled 20% in cash and 80% in restricted share units.

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Legal, accounting and audit expenses increased significantly in Q2 2017 as the Company recorded additional legal fees payable of approximately US\$15,800 following the settlement agreement with the EPA. In 2017 and Q1 2018, the Company also incurred legal costs relating to the Company's response to the Kerrisdale Report including securities class actions.

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 2017 (5,808,000 options) and Q3 2016 (6,206,000 options). Grants of deferred share units ("DSUs") and restricted share units ("RSUs") also impacted SBC. There were grants in Q3 2017 of 542,371 RSUs and in Q3 2016 of 639,031 RSUs and 458,129 DSUs.

1.5 Results of Operations

The following financial data has been prepared from the Financial Statements for the three months ended March 31, 2018, 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 Three Months Ended March 31, 2018 versus 2017

The Company recorded an increase in loss of approximately \$5.7 million due primarily to the increase in exploration and evaluation expenses of approximately \$5.9 million.

E&E comprised mainly of the following for the period as compared to 2017, expressed in thousands of dollars:

E&E	2018	2017
Engineering	\$ 1,388	\$ 128
Environmental	2,631	265
Site activities	973	226
Socio-economic	2,440	1,105
Transportation	70	-
Other activities and travel	219	56
Total	\$ 7,721	\$ 1,780

In the current quarter, E&E increased by \$5,941 as the Company focused on collecting additional data to support development of the EIS including additional data for the design and permitting of transportation and power systems. The Company also completed an updated resource technical report during the quarter. Additional costs were incurred relating to the ongoing Alaska Native community engagement and stakeholder outreach programs (see [1.2.1.2 Technical Programs](#)) which supports the technical programs.

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The following table provides a breakdown of G&A, and legal, accounting and audit expenses incurred in the period as compared to 2017, expressed in thousands of dollars:

	2018	2017
Conference and travel	\$ 103	\$ 121
Consulting	109	155
Insurance	109	100
Office costs, including information technology	267	184
Management and administration	1,220	1,506
Shareholder communication	221	249
Trust and filing	252	233
Total G&A	2,281	2,548
Legal, accounting and audit	647	1,305
	\$ 2,928	\$ 3,853

G&A decreased by \$267 in the current quarter due primarily to a decrease in management and administration costs. In the first quarter of 2017, the Company paid a discretionary bonus relating to 2015 and a performance bonus relating to the completion of the bought deal financing. Legal, accounting and audit cost decreased by \$658 primarily due to the EPA settlement which resulted in certain cases being set aside and so fees no longer being incurred thereto as well as lower audit fees.

SBC has fluctuated due to the timing and quantum of option grants, RSUs and DSUs and the vesting periods associated with these grants. There were no grants in the first quarter of 2017 and 2016.

1.5.2 Financial position as at March 31, 2018 versus December 31, 2017

The total assets of the Company decreased by \$1,560 due largely to the decrease in cash resources (cash and equivalents and investments). This was offset by the increase in carrying value of the Company's mineral property, plant and equipment as the appreciation of the Canadian dollar in relation to US dollar resulted in an increase in the carrying value in the Company's reporting currency.

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, and the issue of common shares pursuant to the exercise of options and warrants. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

As at March 31, 2018, the Company had cash and cash equivalents of \$27,956 and \$34,218 in investments which represents an decrease of \$4,984 from December 31, 2017. In the three months to March 31, 2018, the Company received \$2,051 from the exercise of options and warrants and the Company employed \$7,533 in its operating activities for the three months ended March 31, 2018. The Company is required to utilize the non-refundable early option funds solely for permitting related expenditures. The Company has prioritized the allocation of its remaining available financial resources to meet key corporate expenditure requirements in the near term. Additional financing may be required to progress any material expenditures at the Pebble Project in 2018 if no formal agreement is entered into by the Pebble Partnership and First Quantum and for working capital. 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

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necessary capital resources to meet obligations as they come due, the Company will have to reduce or curtail its operations at some point.

At March 31, 2018, the Company had working capital of \$49,667 as compared to \$56,832 at December 31, 2017. The Company has no capital lease obligations, operating leases or any other long-term obligations other than those disclosed below:

The following commitments and payables existed at March 31, 2018:

	Payments due by period as of the reporting date			
	Total	≤ 1 year	1-5 years	> 5 years
Trade and other payables ¹	\$ 12,341	\$ 12,341	\$ –	\$ –
Payables to related parties	1,170	1,170	–	–
Lease commitments	1,368	428	940	–
Long-term payables ¹	6,821	–	6,821	–
Total	\$ 21,700	\$ 13,939	\$ 7761	\$ –

Notes to table

- As a result of the joint settlement agreement between the Company and the EPA in May 2017, the Company's legal counsel are due US\$11,213 in additional legal fees ("success fees") of which US\$10,578 is payable in two annual instalments of US\$5,289 and the balance of US\$635 is payable within the year. The two instalments are payable in December 2018 and 2019 respectively.
- US dollar amounts have been converted at the closing rate of \$1.2898 / US dollar.

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, which include its cash and equivalents. As at March 31, 2018, other than noted in [1.6 Liquidity](#), the Company has no other long-term debt and no commitments for material capital expenditures.

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

1.8 Off-Balance Sheet Arrangements

As of March 31, 2018, the Company had no off-balance sheet arrangements.

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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 party.

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 9(b) in the notes to the Interim Financial Statements which accompany this MD&A and which are available under the Company's profile at www.sedar.com.

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Key Management Personnel

The required disclosure for the remuneration of the Company's key management personnel is provided in Note 9(a) in the notes to the Interim Financial Statements which accompany this MD&A and which are available under the Company's profile at www.sedar.com.

1.10 Fourth Quarter

Not applicable.

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 (see below).

The Company has signed a framework agreement with First Quantum which contemplates that an affiliate of First Quantum may subsequently execute an option agreement with the Group. The option agreement contemplates an option payment of US\$150 million staged over four years which will entitle First Quantum to acquire the right to earn a 50% interest in the Pebble Partnership for US\$1.35 billion. First Quantum's entry into the option agreement is contingent upon the completion of due diligence, obtaining necessary regulatory approvals and the successful negotiation of the final form of the option agreement and associated commercial agreements.

1.12 Critical Accounting Estimates

The required disclosure is provided in Note 2 in the notes to the Interim 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 Interim 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, saving accounts, guaranteed investment certificates, corporate bonds and amounts receivable. The Company limits the exposure to credit risk by only investing its cash and cash equivalents with high-credit quality financial institutions in business and saving accounts, guaranteed investment certificates, low risk corporate bonds and in government treasury bills which are available on demand by the Group as and when required or mature in timeframes

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appropriate to the needs of the Company. 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 period ended March 31, 2018. 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. The Company's exposure to foreign exchange risk is as follows:

US dollar denominated financial assets and liabilities	March 31 2018	December 31 2017
Financial assets:		
Amounts receivable	\$ 645	\$ 552
Investment	34,218	-
Cash and cash equivalents and restricted cash	20,950	60,083
	55,813	60,635
Financial liabilities:		
Long term payables	(6,821)	(6,650)
Payables to related parties	(1,170)	(93)
Trade and other payables	(11,147)	(10,102)
	(19,138)	(16,845)
Net financial (liabilities) assets exposed to foreign currency risk	\$ 36,675	\$ 43,790

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 \$3,667 (December 31, 2017 - \$4,379) in the period. This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

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 period ended March 31, 2018.

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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 **2017 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	312,133,585
Share options pursuant to the Company's incentive plan	19,813,731
Deferred share units	458,129
Restricted share units	506,495
Warrants and non-incentive plan options ¹	31,448,830

Notes:

1. Non-incentive plan options make up 327,700 of the total. These were issued on the acquisition of Cannon Point in October 2015. Warrants make up the balance and were issued pursuant to the acquisition of Mission Gold in December 2015 and the prospectus and private placement financings in June 2016 and July 2016 respectively.

1.15.2 Disclosure Controls and Procedures

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

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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.

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 as of March 31, 2018.

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.

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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:

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

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. The Company has filed a CWA 404 permit application with the US Army Corps of Engineers, which triggered an EIS process under NEPA. The EIS process under NEPA, and the requirement for the Company to secure a broad range of other permits and authorizations from multiple federal and state regulatory agencies will take several years. After all permits necessary to begin construction 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.

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 of 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. 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

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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.

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.

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.

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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 Interim Financial Statements have been prepared on the basis that Northern Dynasty will continue as a going concern. At March 31, 2018, Northern Dynasty had working capital of \$49,666. With the receipt of the early option payment from First Quantum, Northern Dynasty is required to utilize these funds solely for permitting related expenditures at the Pebble Project. Northern Dynasty has prioritized the allocation of the remaining available financial resources to meet key corporate and Pebble Project expenditure requirements in the near term. Additional financing will be required for continued corporate expenditures and material 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.

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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

Northern Dynasty and the Pebble Partnership 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

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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.

Litigation

The Company is / has been, and may in future be subject to legal proceedings, including with regard to actions discussed in [1.2.1.3 Legal 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.

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 Related Parties](#)). 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 (through share issuances, debt or asset level partnering) to achieve permitting and development of the Pebble Project. In addition, a positive

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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.

Inability to Complete the First Quantum Transaction

The successful completion of a partnering transaction is subject to risks related to the satisfactory completion of due diligence and negotiations, including finalization of definitive agreements and fulfilment of conditions precedent therein, including receipt of all necessary approvals. The transaction may not be successfully completed or completed on terms satisfactory to the Company. Accordingly, the continuation of current and proposed permitting activities and the development of the Pebble Project may depend upon Northern Dynasty's ability to complete the transaction. There can be no assurance that Northern Dynasty will be successful in that regard, failing which the continuation of these activities will require that the Company secure additional financing from alternative sources (see above).