Northern Dynasty Minerals Ltd.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in thousands of Canadian Dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Northern Dynasty Minerals Ltd. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of comprehensive loss, changes in equity, and cash flows, for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the "financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2018, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company incurred a consolidated net loss of $16 million during the year ended December 31, 2018 and, as of that date, the Company's consolidated deficit was $487 million. These conditions, along with other matters as set forth in Note 1, raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ *Deloitte LLP*

Chartered Professional Accountants
Vancouver, Canada
April 1, 2019

We have served as the Company's auditor since 2009.

Northern Dynasty Minerals Ltd.

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian Dollars)

	Notes	**December 31 2018**	December 31 2017
ASSETS			
Non-current assets			
Restricted Cash	6(b)	$ 830	$ 757
Mineral property, plant and equipment	4	144,835	133,711
Total non-current assets		145,665	134,468
Current assets			
Amounts receivable and prepaid expenses	5	1,387	994
Cash and cash equivalents	6(a)	14,872	67,158
Total current assets		16,259	68,152
Total Assets		**$ 161,924**	**$ 202,620**
EQUITY			
Capital and reserves			
Share capital	7	$ 517,327	$ 513,304
Reserves		117,796	95,168
Deficit		(486,913)	(470,971)
Total equity		148,210	137,501
LIABILITIES			
Non-current liabilities			
Non-refundable early option price installment	3(a)	–	47,149
Trade and other payables	9	7,194	6,650
Total non-current liabilities		7,194	53,799
Current liabilities			
Payables to related parties	8	585	1,052
Trade and other payables	9	5,935	10,268
Total current liabilities		6,520	11,320
Total liabilities		13,714	65,119
Total Equity and Liabilities		**$ 161,924**	**$ 202,620**

Commitments (note 14)

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

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

/s/ Ronald W. Thiessen — */s/ Christian Milau*

Ronald W. Thiessen
Director

Christian Milau
Director

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

	Notes	Year ended December 31 2018		2017	
Expenses					
Exploration and evaluation expenses	4, 11	$	50,409	$	22,594
General and administrative expenses	11		8,652		9,384
Legal, accounting and audit			2,419		26,358
Share-based compensation	7(d)-(f)		4,734		5,858
Loss from operating activities			66,214		64,194
Foreign exchange (gain) loss			(807)		1,133
Interest income			(684)		(462)
Other income			(21)		–
Gain on sale of royalty	3(b)		(31)		–
Receipt of royalty income	3(b)		(617)		–
Recognition of non-refundable early option price installment	3(a)		(48,097)		–
Loss before tax			15,957		64,865
Deferred Income tax (recovery) expense			–		–
Net loss		**$**	**15,957**	**$**	**64,865**
Other comprehensive (income) loss					
Items that may be subsequently reclassified to net loss					
Foreign exchange translation difference	4, 7(g)		(10,752)		8,299
Other comprehensive (income) loss		**$**	**(10,752)**	**$**	**8,299**
Total comprehensive loss		**$**	**5,205**	**$**	**73,164**
Basic and diluted loss per common share	10	$	0.05	$	0.22

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

Northern Dynasty Minerals Ltd.

Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian Dollars)

	Notes	Year ended December 31 2018	2017
Operating activities			
Net loss		$ (15,957)	$ (64,865)
Non-cash or non operating items			
Depreciation		234	176
Gain on sale of royalty		(31)	–
Interest income		(684)	(462)
Non-current legal fees payable		–	6,865
Non-refundable early option price installment		(48,097)	–
Share-based compensation		4,734	5,858
Unrealized exchange loss		(561)	511
Changes in working capital items			
Restricted cash	6(b)	–	(796)
Amounts receivable and prepaid expenses		(123)	(317)
Trade and other payables		(3,496)	9,618
Payables to related parties		(121)	393
Net cash used in operating activities		(64,102)	(43,019)
Investing activities			
Acquisition of plant and equipment		(20)	(473)
Proceeds from sale of royalty		31	–
Interest received on cash and cash equivalents		641	414
Net cash from (used in) investing activities		652	(59)
Financing activities			
Net proceeds from private placement of special warrants	7(b)	7,943	–
Net proceeds from bought deal financing	7(b)	–	45,887
Cash settlement of equity-settled restricted share units	7(f)	–	(1,098)
Withholding taxes paid on equity-settled restricted share units	7(f)	(7)	(30)
Non-refundable early option price installment	3(a)	–	48,308
Proceeds from the exercise of share purchase options	7(c)-(d)	408	1,803
Proceeds from the exercise of warrants	7(c)	2,248	9,817
Net cash from financing activities		10,592	104,687
Net (decrease) increase in cash and cash equivalents		(52,858)	61,609
Effect of exchange rate fluctuations on cash and cash equivalents		572	(1,647)
Cash and cash equivalents - beginning balance		67,158	7,196
Cash and cash equivalents - ending balance	6(a)	**$ 14,872**	**$ 67,158**

Supplementary cash flow information (note 6(a))

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

Northern Dynasty Minerals Ltd.

Consolidated Statements of Changes in Equity

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

	Notes	Share capital		Reserves					
		Number of shares (note 7(a)	Amount	Equity - settled share-based compensation reserve	Foreign currency translation reserve (note 7(g))	Investment revaluation reserve	Share Purchase Warrants (note 7(c))	Deficit	Total equity
Balance at January 1, 2017		270,869,561	$ 452,132	$ 58,926	$ 36,233	$ (2)	$ 7,664	$ (406,106)	$ 148,847
Shares issued pursuant to bought deal financing, net of transaction costs	7(b)	20,240,000	45,887	–	–	–	–	–	45,887
Shares issued on exercise of options per option plan	7(d)	1,277,200	1,756	–	–	–	–	–	1,756
Shares issued on exercise of options not under option plan	7(c)	118,800	47	–	–	–	–	–	47
Shares issued upon exercise of warrants	7(c)	15,710,201	9,817	–	–	–	–	–	9,817
Shares issued pursuant to restricted share unit plan	7(f)	22,094	49	(49)	–	–	–	–	–
Cash settlement of tax on issue of equity-settled restricted share units	7(f)	–	–	(30)	–	–	–	–	(30)
Cash settlement of equity-settled restricted share units	7(f)	–	–	(1,098)	–	–	–	–	(1,098)
Fair value allocated to shares issued on options exercised per plan	7(d)	–	822	(822)	–	–	–	–	–
Fair value allocated to shares issued on options exercised not under option plan	7(c)	–	44	–	–	–	(44)	–	–
Fair value and costs transferred to share capital on exercise of warrants	7(c)	–	2,750	–	–	–	(2,750)	–	–
Fair value transferred to reserve on expiry of warrants	7(c)	–	–	38	–	–	(38)	–	–
Share-based compensation	7(d)-(f)	–	–	5,439	–	–	–	–	5,439
Net loss		–	–	–	–	–	–	(64,865)	(64,865)
Other comprehensive loss net of tax		–	–	–	(8,299)	–	–	–	(8,299)
Total comprehensive loss									(73,164)
Balance at December 31, 2017		**308,237,856**	**$ 513,304**	**$ 62,404**	**$ 27,934**	**$ (2)**	**$ 4,832**	**$ (470,971)**	**$ 137,501**
Balance at January 1, 2018		308,237,856	$ 513,304	$ 62,404	$ 27,934	$ (2)	$ 4,832	$ (470,971)	$ 137,501
Effect of change in accounting policy for IFRS 9	2(c)	–	–	–	–	(15)	–	15	–
Balance at January 1, 2018 - as restated		308,237,856	$ 513,304	$ 62,404	$ 27,934	$ (17)	$ 4,832	$ (470,956)	$ 137,501
Shares issued on exercise of options per option plan	7(d)	800,499	408	–	–	–	–	–	408
Shares issued upon exercise of warrants	7(c)	3,944,759	2,248	–	–	–	–	–	2,248
Shares issued pursuant to restricted share unit plan	7(f)	434,742	322	–	–	–	–	–	322
Fair value allocated to shares issued on options exercised per plan	7(d)	–	210	(210)	–	–	–	–	–
Fair value and costs allocated to share capital on exercise of warrants	7(c)	–	835	–	–	–	(835)	–	–
Cash settlement of tax on issue of equity-settled restricted share units	7(f)	–	–	(7)	–	–	–	–	(7)
Special warrants issued net of transaction costs	7(b)	–	–	–	–	–	8,192	–	8,192
Share-based compensation	7(d)-(f)	–	–	4,751	–	–	–	–	4,751
Net loss		–	–	–	–	–	–	(15,957)	(15,957)
Other comprehensive income net of tax		–	–	–	10,752	–	–	–	10,752
Total comprehensive income									(5,205)
Balance at December 31, 2018		**313,417,856**	**$ 517,327**	**$ 66,938**	**$ 38,686**	**$ (17)**	**$ 12,189**	**$ (486,913)**	**$ 148,210**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Northern Dynasty Minerals Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration of mineral properties. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "NDM" and on the 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 consolidated financial statements ("Financial Statements") of the Company as at and for the year ended December 31, 2018, include financial information for the Company and its subsidiaries (note 2(d)) (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 year ended December 31, 2018, the company raised net proceeds of $8,192 from a private placement of special warrants (note 7(b)) and $2,656 from the exercise of share purchase options and warrants (notes 7(c)-(d))

As at December 31, 2018, the Group has $14,872 in cash and cash equivalents for its operating requirements. For the years ended December 31, 2018 and 2017, the Group incurred a net loss of $15,957 and $64,865, respectively, and had a deficit $486,913 as at December 31, 2018. In the current year, income relating to the non-refundable early option price installment was recognized on the termination of the framework agreement (note 3(a)). Subsequent to the reporting period, the Group completed a bought deal financing for gross proceeds of US$11,500 (note 15(c)) and a private placement for gross proceeds of $3,242 (US$2,412) (note15(d)). The Group has prioritized the allocation of its 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 and for working capital requirements. 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.

The Group through the Pebble Partnership initiated federal and state permitting for the Pebble Project under the National Environmental Protection Act, by filing documentation for a Clean Water Act 404 permit with the US Army Corps of Engineers ("USACE") in December 2017. The USACE published a draft Environmental Impact Statement ("DEIS") in February 2019 and is facilitating a formal consultation and public comment process with respect to the DEIS from March 1 through May 30, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"s) that are effective for the Group's reporting for the year ended December 31, 2018. These Financial Statements were authorized for issue by the Board of Directors on March 29, 2019.

(b) Basis of Preparation

These Financial Statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information and for financial instruments classified as fair value through other comprehensive income, which are stated at their fair value (notes 2(f)). The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements with exception to the changes to accounting policies noted below.

(c) Changes in Accounting Standards

New and amended IFRS standards that are effective for the current year

<u>Financial Instruments</u>

On January 1, 2018, the Group adopted IFRS 9, *Financial Instruments* ("IFRS 9") which replaced IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

IFRS 9 did not impact the Group's classification and measurement of its financial instruments except for equity investments as described below. There have been no changes to the carrying value of the Group's financial instruments at the transition date. The Group has taken an exemption not to restate comparatives for prior periods with respect to the classification and measurement requirements of IFRS 9. Accordingly, comparative information for 2017 is presented under IAS 39.

A summary of significant changes in IFRS 9 is as follows:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Group's business model for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. IFRS 9 eliminates the previous IAS 39 categories for financial assets of *held to maturity, loans and receivables* and *available-for-sale*. The change did not impact the carrying amounts of any of the Group's financial assets on the transition date.

- In respect to financial liabilities, IFRS 9 retains most of IAS 39's requirements for classification and measurement of financial liabilities.

- The Group designated its marketable securities, which although nominal in value, as financial assets at fair value through other comprehensive income ("FVTOCI"), and will continue to be recorded at fair value. Subsequent changes in fair value however, will be only recognized in other comprehensive income (loss) and will not be transferred into income (loss) upon disposition. Accordingly, on January 1, 2018, the Group reclassified $15 of impairment losses recognized in prior years on its marketable securities that it continues to own, from opening deficit to the investment revaluation reserve in accumulated other comprehensive income (loss). With the adoption of IFRS 9, the net change in fair value of marketable securities, including realized and unrealized gains and losses, if any, is now presented as an item that will not be reclassified subsequently to net (loss) income in the Consolidated Statements of Comprehensive Loss.

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

Other

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

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

  IFRS 15, which supersedes IAS 18, *Revenue ("IAS 18"),* establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

  IFRS 15 requires entities to recognize revenue when 'control' of goods or services transfers to the customer whereas IAS 18 required entities to recognize revenue when the 'risks and rewards' of the goods or services transfer to the customer.

- Annual Improvements *to IFRS standards 2014-2016 Cycle*

The standard and annual improvements did not have an impact on the Financial Statements.

(d) Basis of Consolidation

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

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

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

Notes:
1. Holds a 20% interest in the Northern Dynasty Partnership. The Company holds the remaining 80% interest.
2. Both entities together hold 2,402 claims comprising the Pebble Project.

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

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

(e) Foreign Currencies

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Group. The functional currency of U5 Resources Inc., Pebble Services Inc., Pebble Mines Corp., the Pebble Partnership and its subsidiaries, and Yuma Gold Inc. is the US dollar and for all other entities within the Group, the functional currency is the Canadian dollar. The functional currency determinations were conducted through an analysis of the factors for consideration identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

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

The results and financial position of entities within the Group which have a functional currency that differs from that of the Group are translated into Canadian dollars as follows: (i) assets and liabilities for each statement of financial position are translated at the closing exchange rate at that date; (ii) income and expenses for each income statement are translated at average exchange rates for the period; and (iii) the resulting exchange differences are included in the foreign currency translation reserve within equity.

(f) Financial Instruments

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"). 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 classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Classification of financial assets

Amortized cost

For a financial asset to be measured at amortized cost, it needs to meet 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.

The Group's financial assets at amortized cost comprise of restricted cash, amounts receivable, and cash and cash equivalents.

Fair value through other comprehensive income ("FVTOCI")

For a debt investment to be measured at FVTOCI, it needs to meet 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
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments at FVTOCI

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

The Group's marketable securities, which although nominal in value, have been designated as at FVTOCI.

Fair Value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortised cost or FVTOCI 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.

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 amortized cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortized 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.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as FVTOCI, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

Financial liabilities

Non-derivative financial liabilities:

The Group's non-derivative financial liabilities comprise of trade and other payables and payables to related parties.

All financial liabilities that are not held for trading or designated as at FVTPL are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial assets and liabilities:

The Group has no derivative financial assets or liabilities.

(g) Exploration and Evaluation Expenditure

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

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

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

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

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

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

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

(h) Mineral property, plant and equipment

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

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

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

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

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

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

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

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

(i) Impairment of Non-Financial Assets

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. This increase in the carrying amount is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. The Group has not recorded any impairment charges in the years presented.

(j) Share Capital, Special Warrants and Warrants

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

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

(k) Share-based Payment Transactions

Equity-settled share-based Option Plan

The Group operates an equity-settled share-based option plan for its employees and service providers (note 7(d)). The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in the *equity-settled share-based payments reserve* in equity (the "Equity Reserve"). An individual is classified as an employee when the individual is an employee for legal or tax purposes ("direct employee") or provides services similar to those performed by a direct employee.

The fair value is measured at grant date for each tranche, which is expensed on a straight line basis over the vesting period, with a corresponding increase in the Equity Reserve. The fair value of share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted and forfeiture rates as appropriate. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Deferred Share Unit ("DSU") Plan

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

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

Restricted Share Unit ("RSU") Plan

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

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

(l) Income Taxes

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

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

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

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

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

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

(m) Restoration, Rehabilitation, and Environmental Obligations

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

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

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

The operations of the Group have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Group are not predictable.

The Group has no material restoration, rehabilitation and environmental obligations as the disturbance to date is not significant. As a condition for the issue of the Miscellaneous Land Use Permit at the Pebble Project, the Pebble Partnership has posted a bond with the Alaskan regulatory authorities as performance guarantee for any potential reclamation liability (note 6(b)).

(n) Loss per Share

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

(o) Segment Reporting

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

(p) Significant Accounting Estimates and Judgments

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

Sources of estimation uncertainty

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

1. The Group uses the Black-Scholes option pricing model to calculate the fair value of share purchase options granted for determining share-based compensation included in the loss for the year. Inputs used in this model require subjective assumptions, including the expected price volatility from three to five years. Changes in the subjective input assumptions can affect the fair value estimate. The weighted average assumptions applied are disclosed in Note 7(d).
2. Significant assumptions about the future and other sources of estimation uncertainty are made in determining the provision for any deferred income tax expense that is included in the loss for the year and the composition of any deferred income tax liabilities included in the Statement of Financial Position.

Critical accounting judgments

These include:

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

(q) 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, which replaces IAS 17, *Leases*, applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model requiring the recognition of right-of-use assets ("ROU assets") and lease liabilities for all leases, with limited exceptions for short-term leases (twelve months or less) or leases of low value assets. Lessor accounting remains similar to current accounting practice.

  IFRS 16 prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Group will adopt IFRS 16 at the effective date being January 1, 2019 and has elected to apply the modified retrospective approach in which comparatives are not restated and ROU assets are measured at amounts equal to the associated lease liabilities. The Group has also elected to apply the available exemptions permitted by IFRS 16 to recognize a lease expense on a straight line basis for short-term leases (twelve months or less) and low value assets. The Group has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of initial application would be accounted for in the same way as short-term leases.

Upon the adoption of IFRS 16, although the Group expects to recognize certain ROU assets and lease liabilities, the Group is still assessing the impact on its financial statements.

3. OTHER INCOME ITEMS

(a) Non-Refundable Early Option Price Installment ("Early Option Price Installment")

In December 2017, the Group and First Quantum Minerals Ltd. ("First Quantum") (the "parties") entered into a framework agreement which contemplated that an affiliate of First Quantum would execute an option agreement to earn a 50% interest in the Pebble Partnership. The Group received an early option price installment payment of US$37,500 ($48,751) in December 2017, which was to be applied solely for progressing with permitting of the Pebble Project.

In May 2018, the framework agreement was terminated, as the parties were unable to reach an agreement on the option and partnership transaction as contemplated therein. The Group as a result has recognized the early option price installment as income in loss (income) for the year.

(b) Sale of Royalty

During the year ended December 31, 2018, the Group completed the sale of a net proceeds interest royalty held by the Group on a non-core property, and which was carried at a nominal value, to a third party for proceeds net of withholding taxes of US$24 ($31). Pursuant to the transaction, the Group received accrued and outstanding royalty income of US$477 ($617).

(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:

Year ended December 31, 2018	Mineral Property interest [1]	Plant and equipment	Total
Cost			
Beginning balance	$ 112,541	$ 1,354	$ 113,895
Additions	–	20	20
Ending balance	112,541	1,374	113,915
Accumulated depreciation			
Beginning balance	–	(734)	(734)
Depreciation [2]	–	(234)	(234)
Ending balance	–	(968)	(968)
Foreign currency translation difference	31,641	247	31,888
Net carrying value – Ending balance	$ 144,182	$ 653	$ 144,835

Year ended December 31, 2017	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 to tables:

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

2. Depreciation is included in exploration and evaluation expenses.

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

5. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	December 31 2018	December 31 2017
Sales tax receivable	$ 69	$ 96
Amounts receivable	769	487
Prepaid expenses	549	411
Total	$ 1,387	$ 994

6. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

	December 31 2018	December 31 2017
Business and savings accounts	$ 14,872	$ 62,830
Guaranteed Investment Certificates	-	4,328
Total	$ 14,872	$ 67,158

Supplementary cash flow information

Non-cash investing and financing activities:

In the year ended December 31, 2018:

- 434,742 common shares were issued to settle the payout of vested RSUs (note 7(f))
- With the special warrant financing in December 2018 (note 7(b)), a cheque received for $249 for the purchase of 300,000 special warrants was only deposited after the reporting period on January 7, 2019.

(b) Restricted Cash

The Group has a cash deposit of US$600 ($830) 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 invested the cash in short-term US treasury bills which matured in February 2018 and currently has invested the cash in a money market fund. Total income of $8 (2017 – $nil) has been recognized for the year which has been re-invested.

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.

7. CAPITAL AND RESERVES

(a) Authorized Share Capital

At December 31, 2018, the authorized share capital comprised an unlimited (2017 – unlimited) number of common shares with no par value.

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

(b) Financings

December 2018

In December 2018, the Group completed a private placement of 10,150,322 special warrants (the "Special Warrants") at a price of $0.83 (US$0.62) per Special Warrant for gross proceeds of $8,424. After transaction costs of $232, the Group raised net proceeds of $8,192. Subsequent to the reporting period, the Special Warrants converted into common shares (note 15(b)).

January 2017

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 $3,180, including a 5% commission paid to the underwriters, the Group raised net proceeds of $45,887.

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

The following reconciles outstanding warrants and non-employee options (options that were not issued under the Group's incentive plan (see below)), each exercisable to acquire one common share, for the year ended December 31, 2018 and 2017 respectively:

Continuity	**Number of Cannon Point Options** (note 1)	**Number of Mission Gold warrants** (note 1)	**Number of warrants - Other** (note 2)	**Total**
Beginning Balance	446,500	14,160,374	39,396,410	54,003,284
Exercised	(118,800)	(4,172,004)	(11,538,197)	(15,829,001)
Expired	–	(2,862,724)	–	(2,862,724)
Balance December 31, 2017	327,700	7,125,646	27,858,213	35,311,559
Exercised	–	(3,160,945)	(783,814)	(3,944,759)
Balance December 31, 2018	327,700	3,964,701	27,074,399	31,366,800
Weighted averages per option/warrant:				
As at December 31, 2018				
Exercise price	$ 0.38	$ 0.55	$ 0.65	$ 0.63
Remaining life in years	2.47	1.52	2.44	2.33
As at December 31, 2017:				
Exercise price	$ 0.38	$ 0.55	$ 0.65	$ 0.63
Remaining life in years	3.48	2.52	3.44	3.26

Notes to table:

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. Warrants were issued pursuant to the June 2016 prospectus and July 2016 private placement financings.

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

The following table summarizes information for non-incentive options as at December 31, 2018 and 2017 respectively:

Options outstanding	**2018**		2017	
Exercise prices ($)	Number of options	Weighted average remaining life (years)	Number of options	Weighted average remaining life (years)
0.29	37,600	5.94	37,600	6.94
0.37	103,400	1.55	103,400	2.55
0.40	186,700	2.29	186,700	3.29
	327,700	2.47	327,700	3.48

(d) Share Purchase Option Compensation Plan

The Group has a share purchase option plan approved by the Group's shareholders that allows the Board of Directors to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees, and service providers. The share purchase option plan (the "2017 Rolling Option Plan") is based on the maximum number of eligible shares (including any issuances from the Group's RSU and DSU plans) equaling a rolling percentage of up to 10% of the Company's outstanding common shares, calculated from time to time. Pursuant to the 2017 Rolling Option Plan, if outstanding share purchase options ("options") are exercised and the number of issued and outstanding common shares of the Company increases, then the options available to grant under the plan increase proportionately (assuming there are no issuances under the RSU and DSU plans). The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than the market price, being the 5-day volume weighted average trading price calculated the day before the grant. Options can have a maximum term of five years and typically terminate 90 days following the termination of the optionee's employment or engagement. In the case of death or retirement, any outstanding vested options will expire the earlier of the expiry date or one year from date of death or retirement. The vesting period for options is at the discretion of the Board of Directors at the time the options are granted.

The following is reconciles the Group's options outstanding for the year ended December 31, 2018 and 2017 respectively:

Continuity of options	**Number of options**	**Weighted average exercise price ($/option)**
Beginning Balance	15,861,131	0.92
Granted	5,808,000	1.75
Expired	(508,100)	2.88
Exercised	(1,277,200)	1.38
Forfeited	(19,000)	0.49
Cancelled	(17,400)	1.75
Balance December 31, 2017	19,847,431	1.08
Granted	5,635,000	0.76
Expired	(18,500)	0.50
Exercised	(800,499)	0.51
Forfeited	(32,500)	1.44
Cancelled	(24,200)	1.51
Balance December 31, 2018	24,606,732	1.03

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

During the year ended December 31, 2018, the Group granted 250,000 (2017 – 133,200) options to consultants for advisory and administrative consulting services. The Group determined that given the nature of the services being provided and that are continued to be provided to the Group, it could not determine the fair value of these services reliably. As a consequence, the Group estimated the value of these services approximated the fair value of the options granted, which based on the Black-Scholes option pricing model at December 31, 2018, was $83 (2017 - $90).

The weighted average fair value for options granted during the year ended December 31, 2018, was estimated at $0.54 (2017 – $1.19) per option using the Black-Scholes option pricing model with the following assumptions:

Weighted Average Assumptions	**2018**	2017
Risk-free interest rate	2.21%	1.54%
Expected life	4.25 years	4.51 years
Expected volatility [1]	95.60%	93.82%
Grant date share price	$0.78	$1.74
Expected dividend yield	Nil	Nil

Note:
1. Expected volatility is based on the historical and implied volatility of the Company's share price on the TSX.

For the year ended December 31, 2018, the Group recognized share-based compensation ("SBC") of $4,656 (2017 – $5,092) for options.

Details of options exercised during the current and prior year were as follows:

Year ended December 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
June 2018	11,000	0.50	0.75
July 2018	39,500	0.50	0.68
August 2018	33,500	0.50	0.75
September 2018	25,333	0.50	0.71
October 2018	650,666	0.50	0.70
November 2018	7,500	0.76	1.00
	800,499	0.51	0.76

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

Year ended December 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
April 2017	15,000	0.89	2.03
May 2017	223,000	0.51	2.40
July 2017	10,000	0.50	1.78
September 2017	3,000	0.50	2.28
November 2017	40,000	0.50	2.56
	1,277,200	1.38	3.19

The following tables summarizes information about the Group's options as at December 31, 2018 and 2017 respectively:

Options outstanding	**2018**		2017	
Exercise prices ($)	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
0.48	450,000	2.21	450,000	3.21
0.49	6,034,000	2.26	6,058,000	3.26
0.50	2,323,332	1.81	3,107,831	2.30
0.72	200,000	0.71	200,000	1.71
0.76	5,620,000	3.85	–	–
0.89	1,125,000	0.29	1,125,000	1.29
1.75	5,744,400	3.10	5,796,600	4.09
1.77	3,110,000	0.16	3,110,000	1.16
	24,606,732	2.41	19,847,431	2.89

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

Options exercisable	**2018**		2017	
Exercise prices ($)	Number of options	Weighted average remaining contractual life (years)	Number of options	Weighted average remaining contractual life (years)
0.48	450,000	2.21	450,000	3.21
0.49	6,034,000	2.26	4,001,340	3.26
0.50	2,323,332	1.81	3,107,831	2.30
0.72	200,000	0.71	200,000	1.71
0.76	2,810,000	3.85	–	–
0.89	1,124,998	0.29	1,099,998	1.29
1.75	3,829,600	3.10	1,936,000	4.08
1.77	3,110,000	0.16	3,110,000	1.16
	19,881,930	2.14	13,905,169	2.51

The weighted average exercise price for exercisable options as at December 31, 2018 was $1.00 (December 31, 2017 – $0.99) per option.

(e) Deferred Share Units ("DSUs")

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

In the year ended December 31, 2018, there were no new grants of DSUs. At December 31, 2018, a total of 458,129 DSU were outstanding (2017 – 458,129).

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

(f) Restricted Share Units ("RSUs")

The following reconciles RSUs outstanding for the year ended December 31, 2018 and 2017 respectively:

Continuity of RSUs	Number of RSUs	Weighted average fair value ($/RSU)
Beginning Balance	639,031	0.69
Granted (ii)(iii)	542,371	2.24
Cash settled (iv)	(639,031)	0.69
Withheld (iii)	(13,782)	2.23
Shares issued (iii)	(22,094)	2.23
Balance December 31, 2017	506,495	2.24
Granted (i)	125,000	0.78
Shares issued (ii)	(434,742)	0.68
Balance December 31, 2018	196,753	1.27

Notes

(i) The Group's Compensation Committee (the "Comp Committee") granted the RSUs on August 9, 2018, to an officer of the Group with an expiry date of December 2021 and an initial one-year vesting period from date of grant. In January 2019, the Comp Committee agreed with management that it was in the best interest of the Group to accelerate the vesting period to January 28, 2019. The Group has determined that this grant should be accounted for as cash-settled given the cash settlement of a previous grant. Accordingly, during the period, the Group has recognized $80 as SBC with a corresponding increase in the RSU liability for this grant based on the quoted market value of the Company's common shares as of the reporting date. At the end of each reporting period, until the RSU liability is settled, the RSU liability's fair value is remeasured based on the quoted TSX closing price for shares multiplied by the number of RSUs that will vest and be converted into common shares, and amortized over the vesting period of the RSUs, with any change in fair value charged to share-based compensation. Subsequent to the reporting period, the RSU's were settled by the Group (note 15(a)).

(ii) On July 30, 2018, the Group settled RSUs treated as cash-settled by issuing 434,742 shares. Accordingly, the Group transferred $322 from the RSU liability to equity. The Group had granted the RSUs in the prior year on July 27, 2017 and had treated the grant as cash-settled given that a previous grant to the same individuals was settled in cash (see (iv)).

(iii) Includes RSUs granted on July 27, 2017 (see (ii)) and 107,629 RSUs granted on September 15, 2017. The September grant vested 1/3 on grant date and 1/3 in September 2018. The remaining 1/3 will vest in September 2019. On grant date, the Group has treated the September grant as equity-settled as the terms of the grant stipulated that payment would be in shares. For the year ended December 31, 2018, the Group determined the tax obligation on vesting of the second tranche of the RSUs as $7. In 2017, the Group had withheld 13,782 RSUs to settle and pay the tax obligations of $30 and issued the balance in shares. Subsequent to the reporting period, the second tranche of RSU's were settled by the Group (note 15(a)).

(iv) The Group settled the payout of 639,031 RSUs by making a cash payment of $1,098, which was based on the 5-day average of TSX closing prices for shares up to July 11, 2017 of $1.72 per RSU pursuant to the terms of the RSU Plan. The Group recognized this payment as a decrease in the SBC Reserve.

During the year ended December 31, 2018, for RSUs classified as equity-settled, the Group recognized $96 (2017 – $347) as SBC with a corresponding increase in the SBC Reserve. For RSUs classified as cash-settled, the Group recognized a decrease of $17 (2017 – $419) in SBC over the same period with a corresponding decrease (2017 – increase) in the RSU liability.

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

(g) Foreign Currency Translation Reserve

	December 31 2018	December 31 2017
Beginning balance	$ 27,934	$ 36,233
Foreign exchange translation differences incurred:		
Gain (loss) on translation of foreign subsidiaries	10,752	(8,299)
Ending balance	$ 38,686	$ 27,934

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

8. RELATED PARTY BALANCES AND TRANSACTIONS

The components of transactions to related parties is as follows:

Payables to related parties	**December 31 2018**	December 31 2017
Hunter Dickinson Services Inc. (b)	$ 401	$ 540
Key management personnel (a)	104	93
RSU liability	80	419
Total payables to related parties	**$ 585**	$ 1,052

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation (note 2(d)). 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, Executive Vice President ("EVP"), Environment and Sustainability, Vice President ("VP"), Corporate Communications, VP, Engineering and VP, Public Affairs, and Pebble Partnership ("PLP") senior management including the Chief Executive Officer ("PLP CEO"), Executive VP ("EVP"), Public Affairs, Senior VP ("SVP"), Corporate Affairs, SVP Engineering, VP, Permitting, Chief of Staff and Chair of Pebble Mines Corp ("PMC Chair"), was as follows for each of the years ended December 31:

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

Transactions	2018	2017
Compensation		
Amounts paid and payable to HDSI for services of KMP employed by HDSI [1]	$ 2,595	$ 3,306
Amounts paid and payable to KMP [2]	3,991	2,438
Bonuses paid to KMP [3]	1,430	1,660
	8,016	7,404
Share-based compensation [4]	3,681	4,650
Total compensation	$ 11,697	$ 12,054

Notes to previous table:

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 director's fees paid to the Group's independent directors, and salaries paid and payable to the PLP CEO, PMC Chair and PLP EVP, SVPs, VP and Chief of Staff. The SVP Engineering is employed by the Group through a wholly-owned US subsidiary of HDSI ("HDUS"). The Group reimburses HDUS for costs incurred.

3. In 2018 incentive bonuses were paid to the EVP, Environment and Sustainability, VP, Corporate Communications, SVP, Engineering and VP Permitting and a performance bonus was paid to the PLP CEO for the 2017 fiscal year. In 2017, the PLP CEO was paid performance bonuses for the 2016 and 2015 fiscal years respectively.

4. Includes cost of RSUs and share purchase options issued and / or vesting during the respective periods.

RSUs

During the year ended December 31, 2018, the Group settled vested KMP RSUs by issuing 434,742 shares. In the prior year, the Group made an aggregate cash payment of $1,098 to settle vested KMP RSUs (note 7(f)).

Options

No options were exercised by KMP during the year ended December 31, 2018. In the prior year, KMP exercised 218,800 options with a weighted average exercise price of $0.47 and a weighted average market price on exercise of $2.36 for proceeds to the Group of $103.

(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.

For the year ended December 31, 2018, and 2017, the aggregate value of transactions were as follows:

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

Transactions		**2018**		2017
Services rendered by HDSI:	$	5,636	$	5,219
Technical		2,683		2,329
Engineering		1,199		741
Environmental		706		736
Socioeconomic		462		699
Other technical services		316		153
General and administrative		2,953		2,890
Management, corporate communications, secretarial, financial and administration		2,326		2,225
Shareholder communication		627		665
Reimbursement of third party expenses		891		658
Conferences and travel		502		309
Insurance		70		62
Office supplies and information technology		319		287
Total value of transactions	$	6,527	$	5,877

9. TRADE AND OTHER PAYABLES

		December 31 2018		December 31 2017
Falling due within the year				
Trade [1]	$	5,935	$	10,268
Total	$	5,935	$	10,268
Non-current liabilities				
Trade [1]	$	7,194	$	6,650
Total	$	7,194	$	6,650

Notes:

1. Legal fees

As a result of the joint settlement with the EPA announced in May 2017, the Group owed legal counsel an additional US$16,557 in legal fees. The amount is made up of US$15,821, payable in three annual installments of US$5,274, of which two installments were paid in 2017 and 2018 respectively and US$735, of which US$100 was paid in 2017. The final annual instalment of US$5,274, which was due to be paid in December 2019, has been extended and is now due on or before January 31, 2020 and accordingly has been included in non-current liabilities. The balance of $635, which is included in current liabilities, is payable on completion of a partnering transaction.

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2018 and 2017 was based on the following:

	2018	2017
Loss attributable to common shareholders	$ 15,957	$ 64,865
Weighted average number of common shares outstanding (000s)	312,265	300,511

Basic and diluted loss per share includes the issue of the Special Warrants in December 2018 (note 7(b)) but excludes the effect of 24,606,732 (2017 – 19,847,431) employee share purchase options outstanding, 31,366,800 (2017 – 35,311,559) non-employee share purchase options and warrants, 458,129 DSUs and 196,753 (2017 – 506,495) RSUs, as they are anti-dilutive.

11. EMPLOYMENT COSTS

During the year ended December 31, 2018, the Group recorded $17,168 (2017 – $16,342) in salaries and benefits, including share-based payments of $4,734 (2017 – $5,858) and amounts paid to HDSI for services provided to the Group by HDSI personnel (note 8(b)).

12. INCOME TAX EXPENSE

	Year ended December 31	
	2018	2017
Current tax (recovery) expense		
Current year (recovery) expense	$ –	$ –
Current income tax (recovery) expense	$ –	$ –
Deferred income tax (recovery) expense		
Current year (recovery) expense	$ –	$ –
Deferred income tax (recovery) expense	$ –	$ –

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

Reconciliation of effective tax rate	Year ended December 31 2018	2017
Net loss	$ (15,957)	$ (64,865)
Total income tax (recovery) expense	–	–
Loss excluding income tax	(15,957)	(64,865)
Income tax recovery using the Company's domestic tax rate	(4,308)	(16,865)
Non-deductible expenses and other	(2,175)	(1,914)
Change in tax rates	–	(2,950)
Deferred income tax assets not recognized	6,483	21,729
	$ –	$ –

The Company's domestic tax rate for the year was 27% (2017 – 26%).

Deferred income tax assets (liabilities)	December 31 2018	December 31 2017
Tax losses	$ 2,140	$ 2,617
Net deferred income tax assets	2,140	2,617
Resource property/investment in Pebble Partnership	(2,140)	(2,472)
Equipment	–	(145)
Net deferred income tax liability	$ –	$ –

The Group had the following temporary differences at December 31, 2018 in respect of which no deferred tax asset has been recognized:

Expiry	Tax losses	Resource pools	Other
Within one year	$ –	$ –	$ –
One to five years	–	–	3,827
After five years	151,357	–	–
No expiry date	–	101,253	231
Total	$ 151,357	$ 101,253	$ 4,058

The Group has taxable temporary differences in relation to investments in foreign subsidiaries or branches of $7.5 million (2017 – $8.7 million) which has not been recognized because the Group controls the reversal of liabilities and it is expected it will not reverse in the foreseeable future.

13. FINANCIAL RISK MANAGEMENT

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

(a) Credit Risk

Credit risk is the risk of potential loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents, restricted cash and amounts receivable. The Group limits the exposure to credit risk by only investing its cash and cash equivalents and restricted cash with high-credit quality financial institutions in business and saving accounts, guaranteed investment certificates, in government treasury bills, low risk corporate bonds and money market funds which are available on demand by the Group when required. Amounts receivable (note 5) include receivable balances with government agencies and refundable deposits. The following is the Group's maximum exposure:

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

Exposure		December 31 2018		December 31 2017
Amounts receivable	$	769	$	487
Restricted cash		830		757
Cash and cash equivalents		14,872		67,158
Total exposure	$	16,471	$	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 and restricted cash, where applicable. The Group however, has noted material uncertainty that raises substantial doubt about the Group's ability to continue as a going concern (note 1). The Group's cash and cash equivalents at the reporting date were invested in business and savings accounts (note 6(a)).

The Group's financial liabilities are comprised of current trade and other payables (note 9) and payables to related parties (note 8), 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 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.

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

The exposure of the Group's US dollar- denominated financial assets and liabilities to foreign exchange risk is as follows:

	December 31 2018	December 31 2017
Financial assets:		
Amounts receivable	$ 627	$ 552
Cash and cash equivalents and restricted cash	10,523	60,083
	11,150	60,635
Financial liabilities:		
Non-current trade payables	(7,194)	(6,650)
Current trade and other payables	(5,834)	(10,102)
Payables to related parties	(146)	(93)
	(13,174)	(16,845)
Net financial (liabilities) assets exposed to foreign currency risk	$ (2,024)	$ 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 $202 (2017 – $4,379) in the year. This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

(d) *Interest Rate Risk*

The Group is subject to interest rate cash flow risk with respect to its investments in cash and cash equivalents. The Group's policy is to invest cash at fixed rates of interest and cash reserves are to be maintained in cash and cash equivalents or 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 $174 (2017 – $136).

(e) *Capital Management*

The Group's policy is to maintain a strong capital base to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Group consists of equity, comprising share capital and reserves, net of accumulated deficit. There were no changes in the Group's approach to capital management during the year. The Group is not subject to any externally imposed capital requirements.

(f) *Fair Value*

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

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

14. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitments

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

	Less than 1 Year	Between 1 and 5 years	Later than 5 years	Total
Anchorage office lease [1]	US$ 186	US$ 579	US$ –	US$ 765
Pebble Project site leases [2]	176	–	–	176
Total	US$ 362	US$ 579	US$ –	US$ 941
Total in Canadian dollars [3]	$ 494	$ 790	$ –	$ 1,284

Notes:

1. Lease expires November 30, 2022.
2. The Group leases two hangars at site and a yard lease for core storage. The core yard lease and one hanger lease expire June 30 and July 1, 2019, respectively and the other hanger lease expires May 1, 2019.
3. Converted at the Wall Street Journal closing rate of $1.3641 per US$1 on December 31, 2018.

(b) Right-of-Way Annual Payment Commitment

In November 2018, with the finalization of a Right-of-Way Agreement (the "ROW") with the Alaska Peninsula Corporation ("APC"), which secures the right to use defined portions of APC lands for the construction and operation of transportation infrastructure to access the Pebble Project site, the Group has a commitment for the annual payment due in 2019.

(c) Legal Proceedings

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 relied on the claims made in the Kerrisdale Report and alleged 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 continued to litigate and filed an amended complaint. The Company filed a motion to dismiss the amended complaint in the *Diaz* action, which the plaintiffs opposed. On April 3, 2018, the United States District Court for the Central District of California dismissed the plaintiffs' amended complaint in full, noting that its reliance on the sources in the Kerrisdale Report was an insufficient basis to allege securities fraud. The court allowed the plaintiffs an opportunity to amend their complaint, which they did in June 2018. The Company again moved to dismiss the new complaint, and briefing on the motion concluded in November 2018.

On February 22, 2019, the United States District Court for the Central District of California again dismissed all of the securities class action claims brought against the Company and certain of its officers and directors in the Diaz action, captioned *Victor Diaz v. Northern Dynasty Minerals Ltd., et al., Case No. CV 17-1241 PSG (SSx)*, this time without leave to amend. The Court ruled in favor of the Company and its officers and directors on all claims and ordered the case closed. On March 21, 2019, the plaintiffs filed notice of an appeal of the United States District Court for the Central District of California dismissal order as set out in the Company's news release dated February 22, 2019. Given the nature of the claims on appeal, it is not currently possible for us to predict the outcome nor practical to determine their possible financial effect until their ultimate resolution. The Company intends to continue defending itself vigorously in this matter.

15. EVENTS AFTER THE REPORTING DATE

(a) Payout of RSUs

On January 28, 2019, the Group settled the following:

- 125,000 RSUs by issuing 58,886 common shares as 66,114 RSUs were withheld to pay tax obligations; (note 7(f)(i)); and
- 35,876 RSUs by issuing 26,408 common shares as 9,378 RSUs were withheld to pay tax obligations remitted in 2018 when the RSUs vested (note 7(f)(iii)).

(b) Conversion of Special Warrants

On February 19, 2019, the Special Warrants converted into common shares of the Company on a one-for-one basis for no additional consideration to the Group (note 7(b)).

(c) Bought Deal Financing

On March 18, 2019, the Group completed a bought deal offering of 17,968,750 common shares at US$0.64 per common share for aggregate gross proceeds of US$11,500, which included the exercise of an over-allotment option of 2,343,750 common shares for additional gross proceeds of US$1,500. The Group paid a cash commission of 6% of the aggregate gross proceeds.

The offering has been made by way of a prospectus supplement (the "Prospectus Supplement") to the Group's existing Canadian base shelf prospectus (the "Base Shelf Prospectus") and related US registration statement on Form F-10.

(d) Private Placement Financing

On March 26, 2019, the Group completed a non-brokered private placement of 3,769,476 common shares at $0.86 (US$0.64) per common share for aggregate gross proceeds of approximately $3,242 (US$2,412). The common shares are subject to a hold period of four months and one day.

Northern Dynasty Minerals Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2018

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1.1 Date

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements ("Financial Statements") of Northern Dynasty Minerals Ltd. ("Northern Dynasty" or the "Company") for the year ended December 31, 2018 as publicly filed under the Company's profile on SEDAR at www.sedar.com.

The Company reports in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee (together, "IFRS"). The following disclosure and associated Financial Statements are presented in accordance with IFRS. This MD&A is prepared as of March 29, 2019.

All dollar amounts herein are expressed in thousands of 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 and our ability to establish that such a permitted mine can be economically developed;
- our ability to successfully apply for and obtain the federal and state permits that we will be required to obtain for the Pebble Project under the Clean Water Act and the National Environmental Policy Act;
- our plan of operations, including our plans to carry out and finance exploration and development activities
- our ability to raise capital for the exploration, permitting and development activities and for working capital purposes;
- our expected financial performance in future periods;
- our expectations regarding the exploration and development potential of the Pebble Project;
- the outcome of the legal proceedings in which we are engaged; 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 ultimately be able to demonstrate that a mine at the Pebble Project can be developed and operated in an environmentally sound and socially responsible manner, meeting all relevant federal, state and local regulatory requirements so that we will be ultimately able to obtain permits authorizing construction of a mine at the Pebble Project;
- that the market prices of copper, gold, molybdenum and silver will not significantly decline or stay depressed for a lengthy period of time;
- that our key personnel will continue their employment with us; and
- that we will continue to be able to secure minimal adequate financing for working capital and other purposes 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 share prices of mining companies;
- 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 uncertainty of the outcome of current or future litigation;
- the possible inability to insure our operations against all risks;
- the highly competitive nature of the mining business;

- our ability to obtain funding for working capital and other purposes;
- the potential equity dilution to current shareholders from future equity financings; and
- that we have never paid dividends and will not do so in the foreseeable future.

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

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

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, Indicated and Inferred Resources

The following section uses the terms "measured resources", "indicated resources" and "inferred resources". The Company advises investors that although those terms are recognized and required by Canadian regulations under National Instrument 43-101, *Standards of Disclosure for Mineral Properties* ("43-101"), the United States Securities and Exchange Commission (the "SEC") has adopted amendments to its disclosure rules to modernize the mineral property disclosure required for issuers whose securities are registered with the SEC under the US *Securities Exchange Act of 1934*, effective February 25, 2019 ("The SEC Modernization Rules"). The SEC Modernization Rules replace historical property disclosure requirements for mining registrants that were included in SEC Industry Guide 7, which will be rescinded upon expiry of a transition period, and adopt definitions of the terms and categories of resources which are "substantially similar" to the corresponding terms under Canadian Regulations in 43-101. Accordingly, there is no assurance any mineral resources that we may report as measured mineral resources, indicated mineral resources and inferred mineral resources under 43-101 would be the same had we prepared the resource estimates under the standards adopted under the SEC Modernization Rules. **Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into reserves.** In addition, 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 resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred resources may not form the basis of feasibility or pre-feasibility studies, or economic studies except for a Preliminary Economic Assessment as defined under 43-101**. Investors are cautioned not to assume that all or part of an inferred resource exists, or is economically or legally mineable.**

1.2 Overview

Northern Dynasty is a mineral exploration company which, through its wholly-owned Alaskan registered limited partnership, the Pebble Limited Partnership (the "Pebble Partnership"), 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 Partnership.

The Pebble Project is an initiative to develop one of the world's most important mineral resources. The current estimate of these mineral resources[1] at a 0.30% copper equivalent cut-off grade comprise:

- 6.5 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
- 4.5 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.

The Company and the Pebble Partnership submitted a 404 wetlands permit application under the Clean Water Act ("**CWA**") for the Pebble Project to the United States Army Corps of Engineers on December 22, 2017, initiating federal permitting under the National Environmental Policy Act ("**NEPA**"). The process involves the development of an environmental impact statement ("**EIS**").

Accordingly, many of the activities of the Company and, in particular, the Pebble Partnership in 2018 focused on providing information to support progress of the EIS process under NEPA. Other key activities included engagement and consultation with stakeholders to reposition the project and develop access and other stakeholder agreements, and discussions directed toward securing a partner with which to advance the overall development of the project.

Permitting

The United States Army Corps of Engineers ("**USACE**") accepted the 404 wetlands permit application for the Pebble Project as complete in January 2018, and selected AECOM – a leading global engineering firm – as third-party contractor for the EIS process in February 2018. In mid-March, USACE published guidelines and timelines for completing NEPA permitting and the associated EIS process.

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[1] Mineral resources at December 2017 as estimated by David Gaunt, PGeo., a qualified person who is not independent of Northern Dynasty. The resource estimate is constrained by a conceptual pit that was developed using a Lerchs-Grossman algorithm using metal prices (USD) of $1,540/oz for gold, $3.63/lb for copper, $12.36/lb for molybdenum and $20/oz 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 **2018 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.

The EIS process for Pebble has progressed as forecast in the USACE timeline, with USACE advancing through the scoping process in 2018 and delivering the Draft EIS in the first quarter of 2019 (on February 20, 2019).

The Draft EIS shows:

- USACE found the Pebble application to be complete, with no substantive data gaps;
- there were no new environmental issues identified; and
- there were no impacts identified that cannot be mitigated.

As part of the EIS preparation process, USACE is undertaking a comprehensive alternatives assessment to consider a broad range of development alternatives. No preferred alternative was identified in the Draft EIS, which allows USACE to incorporate public input on various alternatives presented in the Draft EIS during the public review process. Northern Dynasty, through Pebble Partnership, also continues to advance engineering studies. Northern Dynasty cautions that the current Project Description may not be the ultimate development plan for the project and that a final project design has not been selected.

USACE has initiated the public comment period on the Draft EIS, which is scheduled for March through May 2019. USACE has forecast completion of the Final EIS for the Pebble Project in 2020 (see pebbleprojecteis.com/schedule).

Right-of-Way and Partnership Agreement

In November 2018, the Pebble Partnership finalized a Right-of-Way Agreement with Alaska Peninsula Corporation ("APC"), securing the right to use defined portions of APC lands for the construction and operation of transportation infrastructure associated with the Pebble Project. The agreement secures access to the Pebble Project site for construction and operation of the proposed mine and represents a significant milestone in the developing relationship between Pebble and the Alaska Native people of the region.

APC is an Alaska Native village corporation with extensive land holdings proximal to the Pebble site. The APC lands addressed in the Right-of-Way Agreement mirror the transportation corridor identified in the Project Description as submitted to the USACE to initiate the federal EIS permitting process and was also identified by USACE as a potential transportation corridor in the recently released Draft EIS. It includes land south of Lake Iliamna to link a port site on Cook Inlet to a ferry landing site west of the APC village of Kohkanok, as well as land north of Lake Iliamna to link a ferry landing site west of the APC village of Newhalen to the site of the proposed Pebble mine.

The agreement includes the following provisions:

- The Pebble Partnership will make annual toll payments to APC, and pay other fees prior to and during project construction and operation;
- APC will be granted 'Preferred Contractor' status at Pebble, which provides a preferential opportunity to bid on Pebble-related contracts located on APC lands; and
- The two parties have agreed to negotiate a profit sharing agreement that will ensure APC and its shareholders benefit directly from the profits generated by mining activity in the region.

Additionally, transportation and other infrastructure for a mine at Pebble is expected to benefit APC, its shareholders and villages through access to lower cost power, equipment and supplies, as well as enhanced economic activity in the region. Spur roads connecting to the villages of Newhalen and Kokhanok will allow local residents to access jobs at the Pebble mine site, port site and ferry landing sites.

Plans for 2019

Northern Dynasty's focus in 2019 will be to continue to advance permitting by supporting, through the Pebble Partnership, the Draft EIS review process and development of a Final EIS. The Pebble Partnership will continue to engage and consult stakeholders to describe and get input from local communities regarding its plans and establish agreements that would assist with development and bring jobs and other economic opportunities to the region. The Company will also remain focused on efforts to secure a partner for the project and funding of its planned activities.

Corporate

As at December 31, 2018, the Company has $14.9 million in cash and cash equivalents available for its operating requirements. The Company has prioritized the allocation of the available financial resources in order to meet key corporate and Pebble Project expenditure requirements in the near term. In March 2019, the Company completed a US$11.5 million bought deal financing and a $3.2 million private placement (refer 1.2.3 *Financings*). Although the Company will continue to 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 were also 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 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 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 CWA 404 permit. The CWA 404 permit application was submitted to the USACE on December 22, 2017, initiating federal permitting for the Pebble Project under NEPA. From April to August 2018, the Pebble Project was advanced through the Scoping Phase (including a public comment period) of the EIS process, with the resulting Scoping Document released by USACE on August 31, 2018. USACE released the Draft EIS on February 20, 2019.

The Draft EIS envisages the project developed as an open pit mine and processing facility with supporting infrastructure, a significantly smaller development footprint than previously envisaged, and other additional environmental safeguards as described in the Project Description. It assesses the access route described in the Project Description as well as other alternatives.

The Project Description proposes that the Pebble deposit would be developed as a 180,000-ton per day open pit mine with associated on and off-site infrastructure. The infrastructure includes a 270-megawatt power plant located at the mine site; an 83-mile transportation corridor from the mine site to a port site on the west side of Cook Inlet that includes an 18-mile crossing of Iliamna Lake made by ice-breaking ferry; a permanent, year-round port facility near the mouth of Amakdedori Creek on Cook Inlet; and a 188-mile natural gas pipeline from the Kenai Peninsula to the Project site. Following four years of construction activity, the proposed Pebble mine will operate for a period of 20 years as a conventional drill-blast-shovel operation. The mining rate will average 70 million tons per year, with 66 million tons of mineralized material going through the mill each year (180,000 tons per day), for a low life-of-mine waste to ore ratio of 0.12:1. Forecast annual production would be approximately 613,000 tons of copper-gold concentrate containing approximately 318 million lb copper, 362,000 oz gold and 1.8 million ounces of silver; and approximately 15,000 tons of molybdenum concentrate containing approximately 14 million lb of molybdenum.

In response to stakeholder concerns, the footprint of the proposed development in the updated Project Description is substantially smaller than previously envisaged. The current mine plan proposal consolidates most major site infrastructure in a single drainage, and includes other new environmental safeguards:

- a more conservative Tailings Storage Facility ("TSF") design, including enhanced buttresses, flatter slope angles and an improved factor of safety;
- separation of potentially acid generating ("PAG") tailings from non-PAG bulk tailings for storage in a fully-lined TSF;
- co-storage of PAG waste rock within the PAG TSF and transfer of the PAG tailings and waste rock to the open pit at closure;
- no permanent waste rock piles; and
- no cyanide usage.

The USACE is conducting a comprehensive alternatives assessment to consider a broad range of alternatives as part of its preparation of the EIS. As a result, the Company cautions that the plan described above may not be the final development plan. A final development design has not yet been selected. The proposed project 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, although any subsequent phases of development would require extensive regulatory and permitting review by federal, state and local regulatory agencies, including a comprehensive EIS review process under NEPA.

From 2001, when Northern Dynasty's involvement at the Pebble Project began, to December 31, 2018, a total of $887 million (US$814 million) has been invested to advance the project.[3]

1.2.1.2 Current Technical Programs

Technical programs at Pebble in 2018 were focused on the permitting process through the USACE. Site activities related to the 2018 program were concluded toward the end of the third quarter.

In 2019, activities will mainly be focused around planning and deploying site programs, particularly related to the port facility and natural gas pipeline. The technical team will complete a thorough review of the Draft EIS and submit comments to USACE on the draft document in addition to responding to requests for information during the public review period of the Draft EIS and during the development of the Final EIS.

Engineering

Engineering activities during the fourth quarter consisted primarily of office studies and compilation of data from the field programs to respond to requests for information and support ongoing development of the EIS. In 2018, data was collected through reconnaissance and geophysical surveys of Cook Inlet, the proposed road corridor, and Lake Iliamna for the design and permitting of the facilities along the transportation corridor and the marine portion of the natural gas pipeline route. Geotechnical drilling also took place in areas of the proposed major facilities at the mine site.

The 2019 field programs are focused on advancing the EIS and federal permitting process. The work will advance the 2018 reconnaissance geophysical marine surveys to provide data required by federal regulators to establish the gas pipeline route and to provide permits for the pipeline placement and port construction. Similar work will be undertaken on Lake Iliamna for the pipeline and ferry landings. Work at this site will include geotechnical drilling for major facilities and pump tests to confirm groundwater characteristics.

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 EDB (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 involved more than 40 respected independent research firms, utilizing over 100

[3] 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.

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/.

Data from the 2009-2013 period was compiled as part of the 2017 program into the Supplemental EBD (2009 to 2013) and all chapters were transmitted to the USACE. Environmental baseline data collected during the 2018 field program includes meteorology, wetlands, aquatic resources, marine studies, wildlife and stream flow monitoring. The additional data collected from the 2018 program has been provided to USACE.

Site work in 2019 will include ongoing environmental monitoring and collection of additional data to support the EIS process.

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;
- 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 were 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 relied on claims made in the Kerrisdale Report and alleged damages to a class of investors who purchased shares of the Company prior to the publication of the Kerrisdale Report and alleged 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 continued to litigate and filed an amended complaint. The Company filed a motion to dismiss the amended complaint in the *Diaz* action, which the plaintiffs opposed. On April 30, 2018, the United District Court for the Central District of California dismissed the plaintiffs' amended complaint in full, noting that its reliance on the sources in the Kerrisdale Report was an insufficient basis to allege securities fraud. The court allowed the plaintiffs an opportunity to amend their complaint, which they did in June 2018. The Company again moved to dismiss the new complaint, and briefing on the motion concluded in November 2018.

On February 22, 2019, the United States District Court for the Central District of California again dismissed all of the securities class action claims brought against the Company and certain of its officers and directors in the *Diaz* action, captioned *Victor Diaz v. Northern Dynasty Minerals Ltd., et al.*, *Case No. CV 17-1241 PSG (SSx)*, this time without leave to amend. The Court ruled in favor of the Company and its officers and directors on all claims and ordered the case closed. On March 21, 2019, the plaintiffs filed notice of an appeal of the United States District Court for the Central District of California dismissal order as set out in the Company's news release dated February 22, 2019. The Company intends to continue defending itself vigorously in this matter.

1.2.3 Financings

$3.2 Million Private Placement

In March 2019, the Company completed a non-brokered private placement of 3,769,476 common shares at a price of $0.86 (US$0.64) per share for gross proceeds of approximately $3.2 million (US$2.4 million).

The shares are subject to applicable resale restrictions, including a four month and one day hold under Canadian securities legislation.

US$11.5 Million Bought Deal

In March 2019, the Company completed a bought deal offering of 17,968,750 common shares at US$0.64 per common share for gross proceeds of US$11.5 million which included the exercise of an over-allotment option of 2,343,750 common shares for additional gross proceeds of US$1.5 million. The offering was made through lead underwriter and sole bookrunner, Cantor Fitzgerald Canada Corporation, on behalf of itself and a syndicate of underwriters including BMO Capital Markets, H.C. Wainwright & Co., LLC. and TD Securities Inc. (collectively, the "Underwriters").

The Company will pay the Underwriters a cash commission equal to 6% of the gross proceeds of the offering.

The offering has been made by way of a prospectus supplement (the "Prospectus Supplement") to the Company’s existing Canadian base shelf prospectus (the "Base Shelf Prospectus") and related United States ("US") registration statement on Form F-10 (SEC File No. 333-229262) (the "Registration Statement"). The US form of the Base Shelf Prospectus is included in the Registration Statement.

$8.4 Million Special Warrant Financing

In December 2018, the Company completed a private placement of 10,150,322 special warrants (the "Special Warrants") at a price of $0.83 (US$0.62) per Special Warrant for aggregate gross proceeds of approximately $8.4 million (US$6.3 million). The private placement was completed in two tranches. The first tranche of 8,908,322 Special Warrants was completed on December 21, 2018, for gross proceeds of $7.4 million (US$5.6 million). The second tranche of 1,242,000 Special Warrants was completed on December 27, 2018 for gross proceeds of approximately $1.03 million (US$770,000). The Special Warrants converted into common shares on a one-for-one basis without payment of any additional consideration on February 19, 2019.

The net proceeds were used to pay the second installment of a success fee of US$5.3 million that was accrued in connection with the 2017 settlement of the Company’s legal proceedings agains the EPA, and working capital.

1.2.4 Market Trends

Copper prices were variable in 2014 and 2015, and the average annual price decreased each year. Prices were variable to improving for most of 2016 and 2017. Prices were variable in early 2018, trended downward from June to August, but have been variable to improving since that time. A recent closing price is US$2.90/lb.

Gold prices were variable in 2014 and 2015, and the average annual prices decreased. Prices trended upward for most of 2016 and were variable to increasing for most of 2017, but dropped late in the year. Prices rebounded in January 2018, and then were relatively stable for several months, until dropping in the third quarter. Prices have been trending upward since that time. A recent closing price is US$1,310/oz.

Following weakness in 2013, molybdenum prices increased in early 2014, then trended downward through the end of 2015, and were relatively flat in 2016. Molybdenum prices increased in 2017 and most of 2018, and were steady from September to December 2018. Prices have decreased slightly in 2019, with a recent closing price of US$12.13/lb.

Silver prices were variable and trended downward in 2014 and 2015. Prices were variable to improving during most of 2016 and 2017. After recovering in January 2018, prices were variable for the rest of the year, with a decrease in the average annual price. Prices have increased so far in 2019, with a recent closing price of US$15.40/oz.

Average annual prices of copper, gold, molybdenum and silver for the past four years as well as the average prices so far in 2019 are shown in the table below:

Year	Average metal price [1,2]			
	Copper US$/lb	Gold US$/oz	Molybdenum US$/lb	Silver US$/oz
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	2.96	1,269	11.94	15.71
2019 (to March 28)	2.82	1,304	11.77	15.42

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, 2019 prices for molybdenum is Platts*

1.3 Selected Annual Information

The following selected annual information is from the audited consolidated financial statements, which have been prepared in accordance with IFRS. Unless otherwise stated, all monetary amounts are expressed in thousands of Canadian dollars except per share amounts, which are expressed in Canadian dollars.

	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016
Total assets	$ 161,924	$ 202,620	$ 150,347
Total non-current liabilities	7,194	53,799	–
Total current liabilities	6,520	11,320	1,500
Exploration and evaluation expenses	50,409	22,594	7,935
General and administrative expenses	8,652	9,384	6,729
Legal, accounting and audit	2,419	26,358	9,442
Share-based compensation	4,734	5,858	2,995
Non-refundable early option price installment	(48,097)	–	–
Sale of royalty and royalty income	(648)	–	–
Other items [1]	(1,512)	671	(119)
Loss for the year	**$ 15,957**	**$ 64,865**	**$ 26,982**
Basic and diluted loss per common share	$ 0.05	$ 0.22	$ 0.11
Weighted average number of common shares outstanding ('000')	312,265	300,511	246,161

Notes

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

Discussion on period-to-period variations:

- The decrease in assets in 2018 vs 2017 is due primarily to the decrease in cash and cash equivalents ("Cash") as the Company employed cash for its technical programs, which focused on the permitting process through the USACE, general corporate purposes and working capital. In 2017, the increase in assets vs 2016 was due to the increase in Cash as a result of the Company completing a bought deal financing in January 2017 and the non-refundable early option price installment (the "Non-refundable Option Installment") received at the end of 2017.
- Non-current liabilities decreased in 2018 vs 2017 as the Company recognized the Non-refundable Option Installment of $47,149 as income after termination of the framework agreement with First Quantum. Current liabilities decreased in 2018 vs 2017 as the final installment in legal success fees was transferred non-current liabilities.
- Exploration and evaluation expenses ("E&E") increased year on year as the Company prepared for and submitted Pebble's CWA 404 permit application with the USACE in 2017 and in 2018 focused on environmental baseline data collection and monitoring, engineering studies to support the permitting process and responding to the USACE requests for information in the EIS scoping process.
- General and administrative expenses ("G&A") have fluctuated over the period due to the level of corporate and financing activities undertaken.
- Legal, accounting and audit expenses decreased in 2018 vs 2017 mainly due to the settlement with EPA in 2017, which resulted in a cessation of the Company's legal cases against the EPA. In 2017,

as result of the settlement, a success fee was due to its legal counsel which is payable in three annual installments, two of which have been paid in 2017 and 2018 respectively.

- In 2018, besides the recognition of the Non-refundable Option Installment (discussed above), the Company also recorded in aggregate $648,000 on the sale of a non-core asset net proceeds/profit royalty and associated royalty income.

1.4 Summary and Discussion of Quarterly Results

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

Excerpts from Statements of Comprehensive Loss (Income)	**Dec 31 2018**	Sep 30 2018	Jun 30 2018	Mar 31 2018	**Dec 31 2017**	Sep 30 2017	Jun 30 2017	Mar 31 2017
Expenses								
Exploration and evaluation	$ 9,114	$16,847	$16,727	$ 7,721	$ 7,078	$ 9,807	$ 3,929	$ 1,780
General and administrative	2,470	1,909	1,992	2,281	2,099	1,980	2,757	2,548
Legal, accounting and audit [1]	1,074	697	1	647	1,351	1,475	22,227	1,305
Share-based compensation	741	2,284	873	836	1,319	3,474	558	507
Non-refundable option installment [2]	–	–	(48,097)	–	–	–	–	–
Other items [3]	(902)	210	(1,075)	(393)	(464)	1,152	712	(729)
Loss (income) for the quarter	$12,497	$21,947	$(29,579)	$11,092	$11,383	$17,888	$30,183	$ 5,411
Basic and diluted loss (income) per common share	$ 0.04	$ 0.07	$ (0.09)	$ 0.04	$ 0.04	$ 0.06	$ 0.10	$ 0.02
Weighted average number of common shares (000s)	314,449	312,491	312,062	310,006	306,004	303,962	301,220	290,650

1. Legal costs in 2016 to Q2 2017 incurred primarily to respond to EPA's potential veto on the Pebble Project. In Q2, 2017, following the settlement with the EPA, success fees due to legal counsel became payable. Additionally, from Q1 2017, the Company incurred legal costs in response to the Kerrisdale Report and securities class actions (discussed in "Other Matters" under 1.2.2 *Legal Matters*).
2. The Company recognized the Non-refundable Option Installment received in Q4 2017 as income on termination of the framework agreement in Q2 2018.
3. Other items include interest income and expense, exchange gain or loss, gain or loss on disposal of financial assets and plant and equipment, and non-core asset royalty income.

Discussion of Quarterly Trends

E&E has fluctuated depending on activities undertaken but has increased since 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. E&E includes costs for Native community engagement, select environmental monitoring programs, site leases, land access agreements and technical studies undertaken in addition to annual claim fees. In 2018, the Company has focused on environmental monitoring, engineering studies to support permitting and responding to the USACE requests for information in the EIS scoping process. In addition, permitting incentive bonuses were paid to key personnel.

G&A has fluctuated based on the level of corporate and financing activities undertaken and have trended down in the first three quarters of 2018. In Q4 2018, G&A increased as the Company paid a discretionary bonus to the Pebble Partnership CEO ("PLP CEO"). In Q1 and Q2 2017, G&A included discretionary bonuses paid to the PLP CEO relating to the 2015 and 2016 fiscal periods respectively and a performance bonus to an officer of the Company 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 ("RSUs") to conserve cash.

Legal, accounting and audit expenses increased significantly in Q2 2017 as the Company recorded success fees of US$15.8 million due to legal counsel following the settlement agreement with the EPA. In Q3 2017, the Company recorded additional success fees of US$0.7 million due to legal counsel. From Q1 2017 onwards, the Company also incurred legal costs relating to the Company's response to the Kerrisdale Report including securities class actions. In Q2 2018, legal costs were offset by insurance proceeds received for cumulative securities class action costs incurred. In Q4 2018, legal fees increased due to a bonus payment of approximately US$0.3 million relating to securities law advice provided during the year by the Company's US legal counsel.

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 2018 (5,635,000 options) and in Q3 2017 (5,808,000 options). Grants of restricted share units ("RSUs") also impacted SBC. There were grants in Q3 2018 of 125,000 RSUs and in Q3 2017 of 542,371 RSUs.

1.5 Results of Operations

The following financial data has been prepared from the Financial Statements for the year ended December 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 – Three months and Year ended December 31, 2018 versus 2017

For the three months, the Company's net loss increased by $1.1 million to $12.5 million. Loss from operating activities increased by $1.6 million to $13.4 million due mainly to an increase in E&E of $2.0 million.

For the year, the Company recorded a $48.9 million decrease in net loss of $16.0 million as compared to 2017 due primarily to the $48.1 million income recognition of the Non-refundable Option Installment on termination of the framework agreement with First Quantum. Loss from operating activities increased by $2.0 million as the increase in E&E of $27.8 million was offset by the $23.9 million decrease in legal, accounting and audit costs and the $1.1 million decrease in SBC. Legal, accounting and audit costs were lower than in 2017 as the Company incurred success fees to external legal counsel as result of the settlement with the EPA in 2017 and lower fees were incurred in relation to security class action cases, as cases were set aside in 2018, and the Company received insurance proceeds for costs incurred on security class action cases.

Exploration and evaluation expenses

The breakdown of E&E for the three months and year as compared to 2017 is as follows:

E&E	Three months		Year	
	2018	2017	**2018**	2017
Engineering	$ 1,521	$ 1,262	$ 11,377	$ 3,602
Environmental	4,728	2,890	17,425	5,260
Property fees	8	2	1,405	1,340
Site activities	473	661	5,658	3,886
Socio-economic	2,108	1,847	10,306	6,581
Transportation	140	240	3,163	1,480
Other activities and travel	136	176	1,075	445
Total	**$ 9,114**	$ 7,078	**$ 50,409**	$ 22,594

In the current quarter, E&E increased by $2.0 million as the Company continued its focus on collecting additional data to support development of the EIS including responding to additional information requests from the USACE.

For the year, E&E increased by $27.8 million as the Company focused on office and field engineering studies to support development of the EIS, additional environmental baseline data collection during the 2018 field program, which was provided to the USACE, and various stakeholder initiatives in addition to stakeholder engagement and outreach activities (1.2.1.2 *Current Technical Programs*).

General and administrative expenses

The following table provides a breakdown of G&A, and legal, accounting and audit expenses incurred in the three months and year as compared to 2017:

	Three months		Year	
	2018	2017	**2018**	2017
Conference and travel	$ 212	$ 200	$ 553	$ 507
Consulting	71	210	269	742
Insurance	171	112	555	427
Office costs, including information technology	240	290	1,054	960
Management and administration	1,559	1,035	4,946	5,395
Shareholder communication	175	205	951	1,050
Trust and filing	42	47	324	303
Total G&A	**2,470**	2,099	**8,652**	9,384
Legal, accounting and audit	1,074	1,351	2,419	26,358
	$ 3,544	$ 3,450	**$ 11,071**	$ 35,742

G&A in the current quarter increased by $371 due to an increase in management and administration costs, which included the payment of a discretionary bonus to the PLP CEO for the 2017 fiscal year. Legal, accounting and audit expenses decreased by $277, as fees paid to external legal counsel were lower (see discussion below).

For the year, G&A decreased by $732 due to a decrease in management and administration costs as in 2017, the Company paid discretionary bonuses to the PLP CEO relating to the 2015 and 2016 fiscal years and bonus/compensation to the Company's Board Chair, CEO and CFO, and a decrease in consulting expenses incurred. Legal, accounting and audit expenses decreased by $23.9 million as in 2017, the Company recorded US$15.8 million in success fees that became due with the 2017 settlement agreement with the EPA, and fees no longer being incurred in relation to security class action cases set aside in 2018. In the current year, the Company also received insurance proceeds for fees incurred on class action cases.

SBC has fluctuated due to the timing and quantum of option grants, RSUs and DSUs and the vesting periods associated with these grants. In both 2018 and 2017, the Company issued grants of options and RSUs in the third quarter (2018 – 5,635,000 options and 125,000 RSUs; 2017 – 5,808,000 options, and 542,371 RSUs).

Other items in the year ended December 31, 2018 included the following:

- the receipt of royalty income of $617 and gain on the sale of said royalty for $31 (net of taxes). The royalty was on a non-core mineral property that the Company recorded at a nominal carrying value; and
- the recognition of the Non-refundable Option Installment of $48.1 million as income as result of the termination of the framework agreement; and
- the Company earned interest income of $684 primarily from investing cash in guaranteed investment certificates and short-term low risk corporate bonds.

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

The total assets of the Company decreased by $40,696 due largely to the decrease in cash and equivalents. This was offset by the increase in carrying value of the Company's mineral property, plant and equipment as the depreciation 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 equity funding. The following financial data is expressed in **thousands** of Canadian dollars unless otherwise stated.

As at December 31, 2018, the Company had cash and cash equivalents of $14,872, which represents a decrease of $52,286 from December 31, 2017. In December 2018, the Company received gross proceeds of approximately $8,424 from a private placement of Special Warrants and received $2,656 from the exercise of options and warrants during the year. The Company employed $64,102 in its operating activities in the year ended December 31, 2018. In March 2019, the Company completed a bought deal financing for aggregate gross proceeds of US$11,500 and a private placement financing for gross proceeds of approximately $3,242 (US$2,412) (see *1.2.3 Financings*). The Company has prioritized the allocation of its available financial resources to meet key corporate and Pebble Project expenditure requirements in the near term. Additional financing will be required to progress any material expenditures at the Pebble Project 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 necessary capital resources to meet obligations as they come due, the Company will have to reduce or curtail its operations at some point.

At December 31, 2018, the Company had working capital of $9,739 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 December 31, 2018:

	Payments due by period as of the reporting date			
	Total	≤ 1 year	1-5 years	> 5 years
Trade and other payables [1]	**$ 5,935**	$ 5,935	$ –	$ –
Payables to related parties	**505**	505	–	–
Lease commitments	**1,284**	494	790	–
Long-term payables [1]	**7,194**	–	7,194	–
Total	**$ 14,918**	$ 6,934	$ 7,984	$ –

Notes to table

1. As a result of the joint settlement with the EPA announced in May 2017, the Company owed legal counsel an additional US$16,557 in success fees. The amount is made up of US$15,821, payable in three annual installments of US$5,274, of which two installments were paid in 2017 and 2018 respectively and US$735, of which US$100 was paid in 2017. The final annual instalment of US$5,274, which was due to be paid in December 2019, has been extended and is now due on or before to January 31, 2020. The balance of $635, is payable on completion of a partnering transaction.
2. US dollar amounts have been converted at the year-end rate of $1.3641/ 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 December 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 at December 31, 2018, the Company had no off-balance sheet arrangements.

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[4], Bruce Jenkins 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 8 in the notes to the Financial Statements which accompany this MD&A and which are available under the Company's profile at www.sedar.com.

Key Management Personnel

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

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[4] Steven Hodgson is employed though a subsidiary of HDSI, Hunter Dickinson Servicepay (US) Inc., and provides services to the Pebble Limited Partnership on a full time basis as Senior Vice President, *Engineering & Project Director*.

1.10 Fourth Quarter

Discussed in Section 1.5.1 *Results of Operations – Three months and Year ended December 31, 2018 versus 2017*

1.11 Proposed Transactions

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

1.12 Critical Accounting Estimates

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

1.13 Changes in Accounting Policies including Initial Adoption

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

1.14 Financial Instruments and Other Instruments

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

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents and restricted cash and amounts receivable. The Company limits the exposure to credit risk by only investing with high-credit quality financial institutions in business and saving accounts, guaranteed investment certificates, government treasury bills, low risk corporate bonds and money market funds, which are available on demand by the Group as and when required or mature in timeframes 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 year ended December 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 is discussed further 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. As a result, the Company's exposure to foreign exchange risk has decreased as follows:

US dollar denominated financial assets and liabilities		**December 31 2018**		December 31 2017
Financial assets:				
Amounts receivable	$	627	$	552
Receivables from related parties		28		–
Restricted Cash		830		757
Cash and cash equivalents		9,693		59,326
		11,178		60,635
Financial liabilities:				
Long term payables		(7,194)		(6,650)
Payables to related parties		(174)		(93)
Trade and other payables		(5,834)		(10,102)
		(13,202)		(16,845)
Net financial (liabilities) assets exposed to foreign currency risk	$	(2,024)	$	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 $202 (2017 – $4,379) in the year. 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 year ended December 31, 2018.

Commodity price risk

While the value of the Company's Pebble Project 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 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 **2018 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 March 29, 2019, is shown in the following table:

	Number
Common shares issued and outstanding	345,632,683
Share options pursuant to the Company's incentive plan	24,451,732
Deferred share units	458,129
Restricted share units	35,877
Warrants and non-incentive plan options[1]	31,280,815

Note to table:

1. Non-incentive plan options make up 291,400 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's management, with the participation of its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Company's CEO and CFO have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

1.15.3 Management's Report on Internal Control over Financial Reporting

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

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

The Company's management assessed the effectiveness of the Company's ICFR as of December 31, 2018. In making the assessment, it used the criteria set forth in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on their assessment, management has concluded that, as of December 31, 2018, the Company's ICFR was effective based on those criteria.

1.15.4 Changes in Internal Control over Financial Reporting

There has been no change during the three months and for the full year in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

1.15.5 Limitations of Controls and Procedures

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

1.15.6 Risk Factors

The securities of Northern Dynasty are highly speculative and subject to a number of risks. A prospective investor or other person reviewing Northern Dynasty for a prospective investor should not consider an investment in Northern Dynasty unless the investor is capable of sustaining an economic loss of their entire investment. The risks associated with Northern Dynasty's business include:

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 if its land and natural resources.

The Pebble Project is Subject to Political and Environmental Regulatory Opposition

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

The Pebble Partnership's Mineral Property Interests Do Not Contain Any Ore Reserves or Any Known Body of Economic Mineralization

Although there are known bodies of mineralization on the Pebble Project, and the Pebble Partnership has completed core drilling programs within, and adjacent to, the deposits to determine measured and indicated resources, there are currently no known reserves or body of commercially viable ore and the Pebble Project must be considered an exploration and feasibility evaluation project only. Extensive additional work is required before Northern Dynasty or the Pebble Partnership can ascertain if any mineralization may be economic and hence constitute "ore".

Mineral Resources Disclosed by Northern Dynasty or the Pebble Partnership for the Pebble Project are Estimates Only

Northern Dynasty has included mineral resource estimates that have been made in accordance with 43-101. These resource estimates are classified as "measured resources", "indicated resources" and "inferred resources". Northern Dynasty advises United States investors that although with the adoption of the SEC Modernization Rules, the SEC now recognizes estimates of "measured mineral resources", "indicated mineral resources" and "inferred mineral resources", there is no assurance any mineral resources that Northern Dynasty may report as "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" under 43-101 would be the same had Northern Dynasty prepared the resource estimates under the standards adopted under the SEC Modernization Rules. 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 securties law, estimates of "inferred mineral resources" cannot 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. Northern Dynasty presently has no ability to generate earnings from its mineral properties 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 has prepared its Financial Statements on the basis that Northern Dynasty will continue as a going concern. At December 31, 2018, Northern Dynasty had working capital of $9,739. Although Northern Dynasty closed a bought deal financing for gross proceeds of US$11,500 and a private placement financing for gross proceeds of approximately $3,242 (US$2,412) in March 2019, additional financing will be required in 2019 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.

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

Litigation

The Company was until recently, and may in future be subject to legal proceedings, including with regard to actions discussed in 1.2.2. *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 production decision at the Pebble Project would require significant capital for project engineering and construction. Accordingly, the continuing permitting and 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.