Northern Dynasty Minerals Ltd.

CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

(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 Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Northern Dynasty Minerals Ltd. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated March 31, 2021 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 31, 2021

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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its financial performance and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 31, 2021, expressed an unqualified opinion on the Company’s 's internal control over financial reporting.

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 $64 million during the year ended December 31, 2020 and, as of that date, the Company’s consolidated deficit was $620 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 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.

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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Mineral property, plant and equipment – Assessment of Whether Indicators of Impairment Exist – Refer to Notes 1 and 2(p) to the financial statements

Critical Audit Matter Description

At the end of each reporting period, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that these assets are impaired. The Company holds the rights to the Pebble exploration stage mineral property (the "Pebble Project") which is the Company's primary non-current asset. On November 25, 2020, the US Army Corps of Engineers issued a Record of Decision (the "ROD") rejecting the Pebble Partnership's permit application for the Pebble Project. Subsequent to year end, the Company appealed the ROD. Taking into consideration the Company's options in the event the ROD appeal is successful or unsuccessful and the Company's market capitalization as at and subsequent to December 31, 2020, the Company concluded there were no indicators of impairment on the Pebble Project as at December 31, 2020.

While there are several factors that must be considered to determine whether or not an indicator of impairment exists for the Pebble Project, the judgments associated with the Company's ability and options to obtain federal and state permits to develop the Pebble Project and with the consideration of the Company's market capitalization are the most subjective. Auditing these judgements required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's ability and options to obtain federal and state permits to develop the Pebble Project and the Company's market capitalization included the following, among others:

- Evaluated the effectiveness of controls over management's assessment of indicators of impairment relating to the Pebble Project, including the identification of events or changes in circumstances that may suggest that the carrying amount of the Pebble Project is impaired.
- Evaluated the reasonableness of management's assessment of whether there were events or changes in circumstances that may suggest that the carrying amount of the Pebble Project is impaired at December 31, 2020 by:
    - Evaluating regulatory developments relating to federal and state permitting processes and the impact on the Company's ability to continue to explore and develop the Pebble Project.
    - Evaluating the reasonableness of management's assessment of potential alternatives for the future permitting and development of the Pebble Project by reviewing the Company's external counsel legal opinion.
    - Read internal communications to management and the board of directors, external communications by management to analysts and investors, and other publicly available information to evaluate whether there was evidence of indicators of impairment that contradicted management's assessment.
- Performed an assessment of the market capitalization of the Company compared to its asset carrying value.

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, Canada
March 31, 2021

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 2020	December 31 2019
ASSETS			
Non-current assets			
Restricted Cash	5(b)	$ 791	$ 805
Mineral property, plant and equipment	3	135,646	138,867
Total non-current assets		136,437	139,672
Current assets			
Amounts receivable and prepaid expenses	4	1,477	914
Cash and cash equivalents	5(a)	42,460	14,038
Total current assets		43,937	14,952
Total Assets		**$ 180,374**	**$ 154,624**
EQUITY			
Capital and reserves			
Share capital	6	$ 683,039	$ 587,448
Reserves	6	109,245	107,163
Deficit		(619,978)	(556,106)
Total equity		172,306	138,505
LIABILITIES			
Non-current liabilities			
Trade and other payables	10	657	934
Total non-current liabilities		657	934
Current liabilities			
Warrant liabilities	7	–	43
Loans payable	8	–	1,360
Payables to related parties	9	848	1,095
Trade and other payables	10	6,563	12,687
Total current liabilities		7,411	15,185
Total liabilities		8,068	16,119
Total Equity and Liabilities		**$ 180,374**	**$ 154,624**

Nature and continuance of operations (note 1)
Commitments and contingencies (note 15)
Events after the reporting period (note 16)

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	
		2020	2019
Expenses			
Exploration and evaluation expenses	12	$ 39,219	$ 53,014
General and administrative expenses	12	11,545	9,365
Legal, accounting and audit		2,438	2,416
Share-based compensation	6(d), (f)	9,342	3,970
Loss from operating activities		62,544	68,765
Foreign exchange loss		1,545	544
Interest income		(146)	(237)
Finance expense		117	134
Other income		(392)	(6)
Loss (gain) on revaluation of warrant liabilities	7	204	(7)
Net Loss		**$ 63,872**	$ 69,193
Other comprehensive loss (income)			
Items that may be subsequently reclassified to net loss			
Foreign exchange translation difference	6(g)	2,704	6,321
Other comprehensive loss		**$ 2,704**	$ 6,321
Total comprehensive loss		**$ 66,576**	$ 75,514
Basic and diluted loss per share	11	$ 0.13	$ 0.19

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)

		Year ended December 31	
	Notes	**2020**	2019
Operating activities			
Net loss		$ (63,872)	$ (69,193)
Non-cash or non operating items			
Depreciation	3	533	647
Gain on royalty sale		–	(6)
Interest on credit facility loans	8	9	14
Interest income		(146)	(237)
Loss on revaluation of warrant liabilities		204	(7)
Share-based compensation		9,342	3,970
Unrealized exchange loss		1,851	125
Changes in working capital items			
Amounts receivable and prepaid expenses		(550)	481
Trade and other payables		(6,132)	(158)
Payables to related parties		941	(380)
Net cash used in operating activities		(57,820)	(64,744)
Investing activities			
Proceeds from sale of royalty		–	6
Interest received on cash and cash equivalents		130	214
Net cash from investing activities		130	220
Financing activities			
Proceeds from issuance of shares	6(b)	57,701	57,811
Transaction costs in the issuance of shares	6(b)	(4,060)	(5,326)
Proceeds from private placement of shares	6(b)	24,938	8,061
Transaction costs for the private placement of shares	6(b)	(232)	(150)
Transaction costs for the private placement of special warrants	6(b)	–	(2)
Proceeds from the exercise of share purchase options and warrants	6(c)-(d)	12,441	791
Payments of principal portion of lease liabilities		(294)	(354)
Receipt of credit facility loans	8	–	2,317
Repayment of credit facility loans	8	(2,523)	–
Subscriptions received for private placement	6(b)	–	699
Costs for private placement not completed at year end	6(b)	–	(6)
Withholding taxes paid on equity-settled restricted share units	6(f)	–	(9)
Net cash from financing activities		87,971	63,832
Net increase (decrease) in cash and cash equivalents		30,281	(692)
Effect of exchange rate fluctuations on cash and cash equivalents		(1,859)	(142)
Cash and cash equivalents - beginning balance		14,038	14,872
Cash and cash equivalents - ending balance	5(a)	**$ 42,460**	**$ 14,038**

Supplementary cash flow information (note 5(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 6(a))	Amount	Equity - settled share-based compensation reserve	Foreign currency translation reserve (note 6(g))	Investment revaluation reserve	Share Purchase Warrants (note 6(c))	Subscriptions received for shares (note 6(b))	Deficit	Total equity
Balance at January 1, 2019		313,417,856	$ 517,327	$ 66,938	$ 38,686	$ (17)	$ 12,189	$ –	$ (486,913)	$ 148,210
Shares issued on exercise of options per option plan	6(d)	1,185,666	641	–	–	–	–	–	–	641
Shares issued upon exercise of warrants and options not issued per option plan	6(c)	304,525	150	–	–	–	–	–	–	150
Shares issued pursuant to restricted share unit plan	6(f)	111,086	174	(122)	–	–	–	–	–	52
Fair value allocated to shares issued on exercise of options and warrants	6(c)-(d)	–	618	(593)	–	–	(25)	–	–	–
Shares issued, net of transactions costs	6(b)	87,477,084	52,435	–	–	–	–	–	–	52,435
Shares issued on conversion of special warrants, net of transaction costs	6(b)	10,150,322	8,192	–	–	–	(8,192)	–	–	–
Shares issued pursuant to private placements, net of transaction costs	6(b)	10,296,141	7,911	–	–	–	–	–	–	7,911
Share-based compensation	6(d)-(f)	–	–	3,927	–	–	–	–	–	3,927
Subscriptions received for private placement, net of transaction costs	6(b)	–	–	–	–	–	–	693	–	693
Net loss		–	–	–	–	–	–	–	(69,193)	(69,193)
Other comprehensive loss net of tax		–	–	–	(6,321)	–	–	–	–	(6,321)
Total comprehensive loss										(75,514)
Balance at December 31, 2019		**422,942,680**	**$ 587,448**	**$ 70,150**	**$ 32,365**	**$ (17)**	**$ 3,972**	**$ 693**	**$ (556,106)**	**$ 138,505**
Balance at January 1, 2020		422,942,680	$ 587,448	$ 70,150	$ 32,365	$ (17)	$ 3,972	$ 693	$ (556,106)	$ 138,505
Shares issued on exercise of options per option plan	6(d)	3,991,066	3,936	–	–	–	–	–		3,936
Shares issued upon exercise of warrants and options not issued per option plan	6(c)	13,634,385	8,505	–	–	–	–	–	–	8,505
Fair value allocated to shares issued on exercise of options and warrants		–	3,863	(2,474)	–	–	(1,389)	–	–	–
Fair value allocated to shares issued on exercise of broker warrants		–	247	–	–	–	–	–	–	247
Shares issued, net of transactions costs	6(b)	38,525,000	53,720	–	–	–	–	–	–	53,720
Shares issued pursuant to private placements, net of transaction costs	6(b)	29,953,500	25,399	–	–	–	–	(693)	–	24,706
Additional transaction costs for prior year financings	6(b)	–	(79)	–	–	–	–	–	–	(79)
Share-based compensation	6(d)	–	–	9,342	–	–	–	–	–	9,342
Net loss		–	–	–	–	–	–		(63,872)	(63,872)
Other comprehensive loss net of tax		–	–	–	(2,704)	–	–	–	–	(2,704)
Total comprehensive loss										(66,576)
Balance at December 31, 2020		**509,046,631**	**$ 683,039**	**$ 77,018**	**$ 29,661**	**$ (17)**	**$ 2,583**	**$ –**	**$ (619,978)**	**$ 172,306**

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, 2020, include financial information for the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Company is the ultimate parent. The Group's core mineral property interest is the Pebble Copper-Gold-Molybdenum-Silver-Rhenium 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, 2020, the Company raised net cash proceeds of $78,347 from common share issuances and private placements of common shares (note 6(b)), and $12,441 from the exercise of share purchase options and warrants (notes 6(c) – (d)).

As of December 31, 2020, the Group had $42,460 (2019 – $14,038) in cash and cash equivalents for its operating requirements and working capital of $36,526 (2019 – deficit of $233). These Financial Statements have been prepared on the basis of a going concern, which assumes that the Group will be able to raise sufficient funds to continue its exploration and development activities and satisfy its obligations as they come due. During the years ended December 31, 2020 and 2019, the Group incurred a net loss of $63,872 and $69,193, respectively, and had a deficit of $619,978 as of December 31, 2020. The Group has prioritized the allocation of its financial resources to meet key corporate and Pebble Project expenditure requirements in the near term, including the funding of the appeal of the Record of Decision (the "ROD") discussed below. Additional financing will be needed to progress any material expenditures at the Pebble Project and for working capital. 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 when required. 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.

These Financial Statements do not reflect adjustments to the carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

The Group, through the Pebble Limited Partnership ("Pebble Partnership"), initiated federal and state permitting for the Pebble Project under the National Environmental Protection Act ("NEPA") by filing documentation for a Clean Water Act ("CWA") 404 permit with the US Army Corps of Engineers ("USACE") in December 2017. The USACE published a draft Environmental Impact Statement ("EIS") in February 2019 and completed a 120-day public comment period thereon on July 2, 2019. In late July 2019, the US Environmental Protection Agency ("EPA") withdrew a Proposed Determination initiated under Section 404(c) of the CWA in 2014, which attempted to pre-emptively veto the Pebble Project before it received an objective, scientific regulatory review under NEPA. On July 24, 2020, the USACE published the final EIS. On November 25, 2020, the USACE issued a ROD rejecting the Pebble Partnership's permit application, finding concerns with the proposed compensatory mitigation plan and determining the project would be contrary to the public interest. The ROD rejected the compensatory mitigation plan as "noncompliant" and determined the project would cause "significant degradation" and was contrary to the public interest. Based on this finding, the USACE rejected Pebble Partnership's permit application under the CWA. On January 19, 2021, the Pebble Partnership submitted its request for appeal of the ROD with the USACE (the "RFA"). On February 24, 2021, the USACE notified the Pebble Partnership that the RFA is "complete and meets the criteria for appeal" and has assigned a review officer to oversee the administrative appeal process. While USACE guidelines indicate the appeal process should conclude within 90 days, the USACE has indicated that the review will likely take additional time due to the complexity of issues and volume of materials associated with the Pebble Project case.

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, 2020. These Financial Statements were authorized for issue by the Board of Directors on March 26, 2021.

(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 (refer note 2(e)). The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise stated.

Response to COVID-19

The Group maintained its staff and employees when the Pebble Partnership offices, along with all other non-essential offices in Alaska, were required to be closed during the early part of the year, and supported the NEPA EIS process remotely. Technical review meetings had been completed prior to this closure. The USACE published the final EIS in July 2020 and issued the ROD (discussed above) in November 2020.

As the pandemic continues to progress and evolve, it is difficult to predict the extent and duration of any resulting operational and economic impacts for the Group, as quarantine, self-isolation, social distancing, restrictions on travel, restrictions on meetings and work from home requirements continue. The extent to which the pandemic impacts the Group's operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of the coronavirus and the actions taken to contain the coronavirus or treat its impact, among others. The adverse effects on the economy, the stock market and the Company's share price could adversely impact our ability to raise capital, with the result that our ability to pursue development of the Pebble Project could be adversely impacted, both through delays and through increased costs. Any of these developments, and others, could have a material adverse effect on our business and results of operations and could delay our plans for development of the Pebble Project.

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

(c) Basis of Consolidation

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

Name of Subsidiary	Place of Incorporation	Principal Activity	Percent Owned
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 Partnership and 100% of Pebble Mines.	100% (indirect)
Pebble Limited Partnership ("Pebble Partnership")	Alaska, USA	Limited Partnership. Ownership and Exploration of the Pebble Project.	100% (indirect)
Pebble Mines Corp. ("Pebble Mines")	Delaware, USA	General Partner. Holds 0.1% interest in the Pebble Partnership.	100% (indirect)
Pebble West Claims Corporation [2]	Alaska, USA	Holding Company. Subsidiary of the Pebble Partnership.	100% (indirect)
Pebble East Claims Corporation [2]	Alaska, USA	Holding Company. Subsidiary of the Pebble Partnership.	100% (indirect)
Pebble Pipeline Corporation	Alaska, USA	Holding Company. Subsidiary of the Pebble Partnership.	100% (indirect)
Pebble Performance Dividend LLC	Alaska, USA	Holding Company. Subsidiary of the Pebble 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. ("MGL")	British Columbia, Canada	Not active. Wholly-owned subsidiary of the Company.	100%
Delta Minerals Inc. ("Delta")	British Columbia, Canada	Not active. Wholly-owned subsidiary of MGL.	100% (indirect)
Imperial Gold Corporation ("Imperial Gold")	British Columbia, Canada	Not active. Wholly-owned subsidiary of Delta.	100% (indirect)
Yuma Gold Inc.	Nevada, USA	Not active. Wholly-owned subsidiary of Imperial Gold.	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.

(d) Foreign Currencies

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

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on 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.

(e) 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 not be 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 not be 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.

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 consist 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's warrant liabilities, which warrants were fully exercised during the year, were derivative financial liabilities and had been designated as at FVTPL (note 7). On date of issue, the warrant liabilities were recognized at fair value as a financing cost with the subsequent change in fair value recognized in loss.

(f) Exploration and Evaluation Expenditure

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

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

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

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

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

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

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

(g) Mineral property, plant and equipment

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

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

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

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

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

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

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

(h) Impairment of Non-Financial Assets

At the end of each reporting period the carrying amounts of the Group's non-financial assets are reviewed to determine whether there is any indication that these assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs of disposal 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 loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. This increase in the carrying amount is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

(i) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Group recognizes the lease payments as an expense in loss on a straight-line basis over the term of the lease.

The Group recognizes a lease liability and a right-of-use asset ("ROU Asset") at the lease commencement date.

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is the rate which the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the Group expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The ROU Asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The ROU Asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term using either the straight-line or units-of-production method depending on which method more accurately reflects the expected pattern of consumption of the future economic benefits.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

On the balance sheet, the ROU Assets are presented in "*Mineral property, plant and equipment*" (note 3) and the lease liabilities are presented in "*Trade and other payables*" (note 10).

(j) Share Capital, Special Warrants, Warrants and Subscriptions for Shares

Common shares ("shares"), special warrants, warrants and subscriptions received for shares are classified as equity. Transaction costs directly attributable to the issue of these instruments are recognized as a deduction from equity, net of any tax effects. Where units comprising of shares and warrants are issued the proceeds and any transaction costs are apportioned between the shares and warrants according to their relative fair values.

Upon conversion of special warrants and warrants into shares and the issue of shares for subscriptions received, the carrying amount, net of a pro rata share of the transaction costs, is transferred to 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 6(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 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 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 if deemed 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 consists of 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 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. The Group has posted two bonds with the Alaskan regulatory authorities as performance guarantees for any potential reclamation liability incurred as a condition for: (i) the issue of the Miscellaneous Land Use Permit at the Pebble Project (note 5(b)), and (ii) the granting of a pipeline right-of-way (note 15(d)).

(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 Company 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 an estimate of the fair value of share purchase options and warrants granted during the year. In the case of share purchase options, the fair value calculated is used to determine share-based compensation that is included in loss for the year. The fair value calculated for the warrants until they were exercised, was used to value the warrant liabilities on the statement of financial position, with gains or losses being recognized in loss. Inputs used in this model require subjective assumptions, including the expected price volatility from less than one year to five years. Changes in the

subjective input assumptions can affect the fair value estimate. The weighted average assumptions applied are disclosed in Notes 6(d) and 7, respectively.

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,* the Group has used judgment that testing the Group's mineral property interest for impairment as a result of the receipt of the ROD denial of the permit for the Pebble Project is not warranted as the Group has initiated an administrative appeal with the USACE, which has been confirmed as complete by the USACE and the resolving of which may take up to 90 days, but this timeframe is likely to be extended. The Group will allow the administrative appeal to run its course while at the same time pursuing other options available to it. Key to the Group's judgement in reaching this conclusion is that as at December 31, 2020, and the date the Financial Statements were authorized for issuance, the Company's market capitalization exceeded the carrying value of the Pebble Project and the Group's net asset value.
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 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).
4. The Group used judgment in terms of accounting for leases in accordance with IFRS 16. IFRS 16 applies a control model to the identification of leases and the determination of whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a fixed period of time. In determining the appropriate term for a lease, the Group considered the right of either the lessee and lessor to terminate the lease without permission from the other party with no more than an insignificant penalty as well as whether the Group is reasonably certain to exercise the extension options on the contract.

(q) Recent Accounting Pronouncements

Amendments to IFRS 3, Business Combinations ("IFRS 3")

The Group adopted the amendments to IFRS 3 in the current year, although there was no impact on the Group. The amendments relate to the definition of a business and clarify that while a business usually has outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

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

Adoption of Other Narrow Scope Amendments to IFRSs and IFRS Interpretations

The Group also adopted other amendments to IFRSs, which were effective for accounting periods beginning on or after January 1, 2020. The adoption had no impact on the Financial Statements.

New and Revised IFRSs, Narrow Scope Amendments to IFRSs and IFRS Interpretations not yet Effective

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2020. There are currently no such pronouncements that are expected to have a significant impact on the Group's consolidated financial statements upon adoption; however, the pronouncement below may have an impact in future periods.

Amendments to IAS 16, Property, Plant and Equipment

The amendments clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment ("PPE") to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit entities from deducting amounts received from selling items produced from the cost of PPE while the Group is preparing the asset for its intended use. Instead, sales proceeds and the cost of producing these items will be recognized in profit or loss. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The amendments apply retrospectively, but only to assets brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the Group first applies the amendments.

3. MINERAL PROPERTY, PLANT AND EQUIPMENT

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

Year ended December 31, 2020		**Mineral Property interest [1]**		**Plant and equipment [2]**		**Total**
Cost						
Beginning balance and Ending balance	$	112,541	$	3,018	$	115,559
Accumulated depreciation						
Beginning balance		–		(1,615)		(1,615)
Depreciation [3]		–		(533)		(533)
Ending balance		–		(2,148)		(2,148)
Foreign currency translation difference		22,083		152		22,235
Net carrying value –December 31, 2020	$	134,624	$	1,022	$	135,646

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

Year ended December 31, 2019		Mineral Property interest [1]		Plant and equipment [2]		Total
Cost						
Beginning balance	$	112,541	$	1,374	$	113,915
Impact of IFRS 16 adoption		–		1,154		1,154
Beginning balance as restated		112,541		2,528		115,069
Additions		–		490		490
Ending balance		112,541		3,018		115,559
Accumulated depreciation						
Beginning balance		–		(968)		(968)
Depreciation [3]		–		(647)		(647)
Ending balance		–		(1,615)		(1,615)
Foreign currency translation difference		24,766		157		24,923
Net carrying value – December 31, 2019	$	137,307	$	1,560	$	138,867

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. Includes ROU Assets, which relate to the use of office space, a copier, hangers, yard storage and one vehicle. The following comprises ROU Assets:

Year ended December 31, 2020		Land and Buildings		Equipment		Total
Cost						
Beginning and Ending balance	$	1,591	$	53	$	1,644
Accumulated depreciation						
Beginning balance		(411)		(9)		(420)
Depreciation		(312)		(17)		(329)
Ending balance		(723)		(26)		(749)
Foreign currency translation difference		(69)		(1)		(70)
Net carrying value – December 31, 2020	$	799	$	26	$	825

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

Year ended December 31, 2019		Land and Buildings		Equipment		Total
Cost						
Beginning balance at January 1, 2019	$	1,132	$	22	$	1,154
Additions		459		31		490
Ending balance		1,591		53		1,644
Depreciation		(411)		(9)		(420)
Foreign currency translation difference		(63)		(1)		(64)
Net carrying value – December 31, 2019	$	1,117	$	43	$	1,160

3. For the year ended December 31, 2020, $235 (2019 – $224) in depreciation is included in general and administrative expenses with the remainder included in exploration and evaluation expenses.

4. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

		December 31 2020		December 31 2019
Sales tax receivable	$	67	$	177
Interest, refundable deposits and other receivables		587		239
Prepaid expenses		823		498
Total	$	1,477	$	914

5. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

The Group's cash and cash equivalents at December 31, 2020 and 2019, consisted of cash on hand and was invested in business and savings accounts.

Supplementary cash flow information

Non-cash investing and financing activities:

In the year ended December 31, 2019, the Group issued:

- common shares on settlement of equity-settled restricted share units (note 6(f));
- common share purchase warrants as part of the financing fees paid to the underwriters in the June bought deal financing (note 6(b)); and
- converted special warrants into common shares for no additional consideration (note 6(b)).

(b) Restricted cash

The Group has cash deposited with a United States financial institution that has been pledged as collateral to the surety provider for a US$2,000 surety bond that was placed 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. The cash deposit will be released once any reclamation work required has been performed and assessed by the Alaskan regulatory authorities. The cash is invested in a money market fund. For the year ended December 31, 2020, income of $2 (2019 – $15), which has been re-invested, has been recognized.

6. CAPITAL AND RESERVES

(a) Authorized Share Capital

At December 31, 2020 and 2019, authorized share capital comprised of an unlimited number of common shares ("shares") with no par value. All shares were issued and fully paid.

(b) Financings

August and July 2020

Private Placement

The Group completed a non-brokered private placement in two tranches of 5,807,534 shares and 100,000 shares on July 30, 2020, and August 6, 2020, respectively, at a price of US$1.46 per share for gross proceeds of US$8,625 ($11,679). No commission or finder's fee were payable. After transaction costs of $106, net proceeds to the Group were $11,573.

Bought Deal

In July 2020, the Group completed an underwritten public offering of 24,150,000 shares at US$1.46 per share for gross proceeds of US$35,259 ($47,638). The Group paid the underwriters a 5% cash commission. After transaction costs of $3,038, net proceeds to the Group were $44,600.

May 2020

Bought Deal

In May 2020, the Group completed an underwritten public offering of 14,375,000 shares at $0.70 per share for gross proceeds of approximately $10,063. The Group paid the underwriters a 5% cash commission. After transaction costs of $943, net proceeds to the Group were $9,120.

Private Placement

In May 2020, the Group also completed a non-brokered private placement of 10,357,143 shares at $0.70 per share for gross proceeds of $7,250. No commission or finder's fee were payable. After transaction costs of $16, net proceeds to the Group were $7,234.

January 2020

Private Placements

In January 2020, the Group completed private placements of 13,688,823 shares for gross proceeds of approximately $6,708 (US$5,065). Of this, $6,009 was received in January 2020 on the placement of 12,262,323 shares as the Group received $699 in December 2019 for subscriptions to 1,426,500 shares, which were issued in

January 2020. After transaction costs of $116 (of which $6 was incurred in 2019), net proceeds to the Group were $6,592 (of which $693 was received in December 2019).

December 2019

Bought Deal

The Group completed a bought deal offering of 41,975,000 Shares at US$0.37 per share for gross proceeds of US$15,531 ($20,561). The Group incurred transaction costs of $1,909, which includes a 7.5% commission paid to the underwriters, and net proceeds to the Group recognized in the year ended December 31, 2019, were $18,652.

In the year ended December 31, 2020, additional transaction costs of $77 were incurred.

Subscriptions Received for Private Placement

The Group received subscriptions for 1,426,500 shares totalling $699 in respect to a private placement that was completed in January 2020 (refer above). Transaction costs of $6 were incurred to December 31, 2019.

August 2019

Bought Deal

The Group completed a bought deal offering of 15,333,334 shares at US$0.75 per share for gross proceeds of US$11,500 ($15,318). The Group incurred transaction costs of $1,215, which included a 6% commission paid to the underwriters, and net proceeds to the Group were $14,103.

Private Placement

The Group completed a non-brokered private placement of 2,866,665 shares for gross proceeds of approximately US$2,150 ($2,844). No commission or finder's fee was payable. After transaction costs of $7, net proceeds to the Group were $2,837.

June 2019

Bought Deal

The Group completed a bought deal offering of 12,200,000 shares at US$0.41 per share for gross proceeds of US$5,002 ($6,594). The Group paid the underwriters a 6% cash commission and issued 244,000 non-transferable share purchase warrants ("Broker Warrants") to purchase shares at US$0.41 per share until June 24, 2020. After transaction costs of $818, which excludes the estimate of the cost of the Broker Warrants (see below), net proceeds to the Group were $5,776.

As the Broker Warrants were denominated in US dollars, they were treated as cash-settled warrant liabilities (note 7) and were valued at $50 upon initial recognition, estimated using the Black Scholes option pricing model with the following assumptions: risk free rate of 1.45%, expected volatility of 72.9%, expected life of 1 year, share price of $0.61 and dividend yield of nil. The equivalent amount was recognized as a financing cost. The Broker Warrants were exercised in June 2020.

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

Private Placement

The Group also completed a non-brokered private placement of 3,660,000 shares for gross proceeds of approximately US$1,500 ($1,975). No commission or finder's fee was payable. After transaction costs of $4, net proceeds to the Group were $1,971.

March 2019

Bought Deal

The Group completed a bought deal offering of 17,968,750 shares at US$0.64 per share for gross proceeds of US$11,500 ($15,338). After transaction costs of $1,384, which includes a 6% commission paid to the underwriters, net proceeds to the Group recognized in the year ended December 31, 2019, were $13,954.

In the year ended December 31, 2020, additional transaction costs of $2 were incurred.

Private Placement

The Group also completed a private placement of 3,769,476 shares at $0.86 (US$0.64) per share for gross proceeds of approximately $3,242 (US$2,412). After transaction costs of $139, net proceeds to the Group were $3,103.

February 2019 Conversion of Special Warrants

10,150,322 special warrants issued in a private placement in December 2018, were converted into shares on a one-for-one basis for no additional consideration to the Group. Additional transaction costs of $2 were incurred in year ended December 31, 2019.

(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 share, for the years ended December 31, 2020, and 2019:

Continuity	**Cannon Point options** [1]	**Mission Gold warrants** [1]	**Other warrants** [2]	**Special warrants** [3]	**Broker warrants** [4]	**Total**
Beginning Balance	327,700	3,964,701	27,074,399	10,150,322	–	41,517,122
Issued	–	–	466,666	–	244,000	710,666
Exercised	(104,450)	(200,075)	–	(10,150,322)	–	(10,454,847)
Bal. Dec 31, 2019	223,250	3,764,626	27,541,065	–	244,000	31,772,941
Exercised	(11,750)	(3,550,835)	(9,827,800)	–	(244,000)	(13,634,385)
Expired	–	(213,791)	–	–	–	(213,791)
Bal. Dec 31, 2020	211,500	–	17,713,265	–	–	17,924,765

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

Weighted averages per option/warrant as at December 31

	Cannon Point options	Mission Gold warrants	Other warrants	Broker warrants	Total
2020					
Exercise price	$ 0.37	–	$ 0.65	–	$ 0.65
Remaining life in years	1.46	–	0.45	–	0.46
2019					
Exercise price	$ 0.38	$ 0.55	$ 0.65	–	$ 0.64
Exercise price (US$)	–	–	–	US$ 0.41	US$ 0.41
Remaining life in years	2.40	0.52	1.45	0.48	1.33

Notes to tables:

1. The Group issued options and warrants in exchange for those which were outstanding in Cannon Point Resources Ltd. ("Cannon Point") and Mission Gold Ltd. ("Mission Gold") on the acquisition of these companies in October 2015 and December 2015, respectively.

2. Warrants were issued pursuant to the June 2016 prospectus financing, July 2016 private placement and the 2019 non-revolving term loan credit facility agreement (note 8).

3. The special warrants were issued in a private placement at a price of $0.83 (US$0.62) per special warrant in December 2018 and were converted into shares for no further consideration to the Group in February 2019 (note 6(b)).

4. The Broker Warrants were issued to the underwriters pursuant to the June 2019 prospectus financing (note 6(b)).

(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 "2020 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 Shares, calculated from time to time. Pursuant to the 2020 Rolling Option Plan, if outstanding share purchase options ("options") are exercised and the number of issued and outstanding 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 reconciles the Group's share purchase options ("options") issued and outstanding pursuant to the Group's incentive plan for the years ended December 31, 2020 and 2019:

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

Continuity of options	**Number of options**	**Weighted average exercise price ($/option)**
Beginning Balance	24,606,732	1.03
Cancelled	(33,600)	1.10
Exercised	(1,185,666)	0.54
Expired	(4,235,000)	1.54
Forfeited	(10,700)	0.82
Granted	6,610,500	0.99
Balance December 31, 2019	25,752,266	0.96
Cancelled	(22,000)	1.16
Exercised	(3,991,066)	0.99
Expired	(24,200)	1.75
Forfeited	(16,500)	1.36
Granted	6,783,000	2.01
Balance December 31, 2020	28,481,500	1.20

In the years ended December 31, 2020 and 2019, the weighted average fair value for options granted was estimated at $1.58 (2019 - $0.56) per option respectively, which was based on the Black-Scholes option pricing model using the following weighted average assumptions:

Assumptions	**2020**	2019
Risk-free interest rate	0.35%	1.39%
Expected life	4.98 years	5.00 years
Expected volatility [1]	94.70%	94.73%
Grant date share price	$2.18	$0.81
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, 2020, the Group recognized share-based compensation ("SBC") of $9,342 (2019 – $3,898) for options.

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

Year ended December 31, 2020	Number of options	Weighted average exercise price ($/option)	Weighted average market share price on exercise ($/option)
May 2020	388,000	0.71	1.33
June 2020	1,162,900	0.84	1.82
July 2020	908,500	1.46	2.34
August 2020	1,165,000	0.97	2.00
September 2020	210,000	0.69	1.48
October 2020	156,666	0.50	1.38
Total	3,991,066	0.99	1.90

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

Year ended December 31, 2019	Number of options	Weighted average exercise price ($/option)	Weighted average market share price on exercise ($/option)
January 2019	125,000	0.49	0.87
February 2019	30,000	0.49	1.23
June 2019	39,000	0.49	0.59
July 2019	81,000	0.49	0.68
August 2019	856,666	0.55	0.90
September 2019	54,000	0.72	0.85
Total	1,185,666	0.54	0.88

The following table summarizes information on options as at December 31:

	2020			2019		
Exercise prices ($)	Number of options outstanding	Number of options exercisable	Weighted Average Remaining contractual life (years)	Number of options outstanding	Number of options exercisable	Weighted Average Remaining contractual life (years)
0.48	200,000	200,000	0.20	450,000	450,000	1.21
0.49	4,455,000	4,455,000	0.53	5,105,000	5,105,000	1.53
0.50 [1]	1,520,000	1,520,000	0.12	2,316,666	2,316,666	0.81
0.76	4,761,000	4,761,000	2.08	5,538,000	5,538,000	2.87
0.99	6,388,500	6,388,500	3.74	6,610,500	3,305,250	4.75
1.75	4,386,000	4,386,000	1.57	5,732,100	5,732,100	2.10
2.01	6,696,000	3,348,000	4.55	–	–	–
2.34	75,000	75,000	2.58	–	–	–
Total	28,481,500	25,133,500		25,752,266	22,447,016	

Note

1. These options were set to expire on October10, 2020, but were extended pursuant to certain provisions of the option plan.

The weighted average contractual life for options outstanding and options exercisable as at December 31, 2020, was 2.59 (2019 – 2.70) years and 2.33 (2019 – 2.40) years per option, respectively. The weighted average exercise price for exercisable options as at December 31, 2020 was $1.10 (2019 – $0.95) 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 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.

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

As at December 31, 2020 and 2019, a total of 458,129 DSUs were issued and outstanding, respectively. There have been no new grants of DSUs since 2017.

(f) Restricted Share Units ("RSUs")

The following reconciles RSUs outstanding for the years ended December 31, 2020 and 2019 respectively:

Continuity of RSUs	Number of RSUs	Weighted average fair value ($/RSU)
Balance January 1, 2019	196,753	1.27
Settlement [1]	(196,753)	1.44
Balance December 31, 2019 and 2020	–	–

Notes

1. During the year ended December 31, 2019, the Group settled the RSUs which had vested by issuing 111,086 shares with the balance of 85,667 RSUs being withheld to pay tax obligations. The Group recognized for equity-settled RSUs, SBC of $29 with a corresponding increase in the SBC Reserve. For RSUs classified as cash-settled, the Group recognized $43 in SBC with a corresponding increase in the RSU liability. On the settlement of the cash-settled RSUs, the RSU liability was reduced to $nil with $58 transferred to share capital for the shares issued with the remainder remitted to the tax authorities.

(g) Foreign Currency Translation Reserve

Continuity		
Balance January 1, 2019	$	38,686
Loss on translation of foreign subsidiaries		(6,321)
Balance December 31, 2019		32,365
Loss on translation of foreign subsidiaries		(2,704)
Balance December 31, 2020	$	29,661

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.

7. WARRANT LIABILITIES

The Broker Warrants, issued pursuant to the June 2019 prospectus financing (note 6(b)), had a US dollar exercise price, and were treated as cash-settled warrant liabilities. They were recognized at fair value on date of issue as a financing cost with subsequent changes in fair value being recognized in loss. The following table reconciles the change in fair value of the warrant liabilities until their exercise:

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

	December 31 2020	December 31 2019
Beginning balance	$ 43	$ –
Fair value on issue recognized as a financing cost	–	50
Fair value loss (gain) on revaluation	204	(7)
Fair value transferred to share capital on exercise	(247)	–
Ending balance	$ –	$ 43

The fair value revaluation of the Broker Warrants on the date of exercise was estimated using the Black Scholes option pricing model with the following weighted average assumptions: risk free rate of 0.28%, expected volatility of 93.4%, expected life of 0.06 of a year, share price of $1.58 and dividend yield of nil.

8. LOANS PAYABLE

	December 31 2020	December 31 2019
Beginning balance	$ 1,360	$ –
Loans provided during the year	183	2,317
Accrued interest	9	14
Repayment of loans	(1,364)	–
Loans transferred to payables to related parties (note 9)	(188)	(971)
Ending balance	$ –	$ 1,360

In November 2019, the Group entered into an unsecured non-revolving term loan credit facility agreement (the "Credit Facility") with a syndicate of lenders (the "Lenders"), two of whom are related parties, of up to $3,500. Loans provided by the Lenders earned interest at 10% per annum and were paid on repayment of the loans (see below). Pursuant to the Credit Facility, the repayment of the loans and accrued interest was to occur on a date that was the earlier of i) May 25, 2020 and ii) the date the Group has completed one or more equity or debt financings raising an aggregate of US$20,000.

As consideration for entering into the Credit Facility, the Group issued to the Lenders, on a pro rata basis, 466,666 share purchase warrants, each warrant exercisable for one share at the exercise price of $0.75 per share until December 2, 2021, of which 153,333 warrants were issued to the two related parties. The number of warrants outstanding at December 31, 2020, are included in Note 6(c).

In January and February 2020, the loans including accrued interest were repaid to the Lenders. For the year ended December 31, 2020, interest of $9 (2019 – $14), of which $5 (2019 – $4) was paid to the two related parties, has been included in finance expense in loss for the year.

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

9. RELATED PARTY BALANCES AND TRANSACTIONS

The components of transactions to related parties is as follows:

Payables to related parties	December 31 2020	December 31 2019
Key management personnel (a)		
Loans payable	$ –	$ 971
Loans payable beginning balance	971	–
Loans provided by key management personnel	183	967
Accrued interest	5	4
Repayment of loans	(1,159)	–
Other	34	–
Hunter Dickinson Services Inc. (b)	814	124
Total payables to related parties	$ 848	$ 1,095

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

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

The aggregate value of transactions with KMP, being the Group's directors, including Chief Executive Officer ("CEO"), 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 PLP CEO (resigned September 23, 2020), Interim 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 the year ended December 31, 2020 and 2019:

Transactions	2020	2019
Compensation		
Amounts paid and payable to HDSI for services of KMP employed by HDSI [1]	$ 2,408	$ 2,430
Amounts paid and payable to KMP [2]	4,525	4,443
Bonuses paid to KMP [3]	1,216	1,053
Interest paid and payable on loans received from KMP [5]	5	4
	8,154	7,930
Share-based compensation [4]	6,207	2,736
Total compensation	$ 14,361	$ 10,666

Notes to 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 2020, incentive and performance bonuses were paid to the PLP CEO, PLP SVP Corporate Affairs and PLP Chief of Staff. In 2019, incentive bonuses were paid to the CFO, EVP, Environment and Sustainability, VP, Corporate Communications, SVP, Engineering, VP, Permitting, and to the Company Secretary.

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

5. The Group's Board Chair and CEO advanced a total of $1,150 to the Group pursuant to the Credit Facility (note 8), $967 in December 2019, and $183 in January 2020. The Group repaid the loans including interest accrued in January 2020.

Options Exercised

During the year ended December 31, 2020, KMP exercised 1,440,000 (2019 – 325,000) incentive options at a weighted average exercise price of $0.56 (2019 – $0.63), with a weighted average market price on exercise of $1.83 (2019 - $0.91) for proceeds to the Group of $807 (2019 - $205).

RSUs

No KMP RSUs were issued or outstanding at December 31, 2020. During the year ended December 31, 2019, the Group settled the outstanding vested KMP RSUs by issuing 111,086 common shares (note 6(f)).

(b) Transactions and Balances with other Related Parties

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

For the year ended December 31, 2020, and 2019, transactions with HDSI were as follows:

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

Transactions	**2020**	2019
Services rendered by HDSI:		
Technical [1]		
Engineering	$ 904	$ 1,018
Environmental	245	459
Socioeconomic	486	429
Other technical services	307	154
	1,942	2,060
General and administrative		
Management, consulting, corporate communications, secretarial, financial and administration	3,011	2,292
Shareholder communication	614	594
	3,625	2,886
Total for services rendered	5,567	4,946
Reimbursement of third party expenses		
Conferences and travel	119	393
Insurance	53	50
Office supplies and information technology	418	431
Total reimbursed	590	874
Total	$ 6,157	$ 5,820

Note

1. These costs are included in exploration and evaluation expenses.

Pursuant to an addendum to the management services agreement between HDSI and the Company, following a change of control, the Company is subject to termination payments if the management services agreement is terminated. The Company will be required to pay HDSI $2,800 and an aggregate amount equal to six months of annual salaries payable to certain individual service providers under the management services agreement and their respective employment agreements with HDSI.

10. TRADE AND OTHER PAYABLES

Current liabilities		December 31 2020		December 31 2019
Falling due within the year				
Trade [1]	$	6,304	$	12,401
Lease liabilities [2]		259		286
Total	$	6,563	$	12,687
Non-current liabilities				
Lease liabilities [2]	$	657	$	934
Total	$	657	$	934

Notes to table:

1. At December 31, 2020, current trade liabilities includes legal fees due to legal counsel of US$2,578 (2019 – US$5,155), payable in two equal tranches on April 1, 2021 and July 1, 2021 respectively, and US$635 payable on completion of a partnering transaction. On the former amount, interest at 3.5% per annum is payable, effective from February 1, 2020. As of December 31, 2020, US$83 in accrued interest is included in trade liabilities.

2. Lease liabilities relate to lease of offices, a copier, yard storage and one vehicle, which have remaining lease terms of 4 to 113 months and interest rates of 7.5% – 10.5% over the term of the leases. During the year ended December 31, 2020, the Group recognized interest expense of $107 (2019 – $120) for lease liabilities.

   The following table provides the schedule of undiscounted lease liabilities as at December 31, 2020:

		Total
Less than one year	$	337
One to five years		604
Later than 5 years		263
Total undiscounted lease liabilities	$	1,204

   The Group had short-term lease commitments of less than a year relating to property leases totaling $93 as of January 1, 2020. During the year ended December 31, 2020, the Group incurred short-term lease commitments of $257 (2019 – $206), and expensed $256 (2019 – $264).

11. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2020 and 2019 was based on the following:

		2020		2019
Loss attributable to shareholders	$	63,872	$	69,193
Weighted average number of shares outstanding (000s)		473,668		358,343

For the years ended December 31, 2020 and 2019, basic and diluted loss per share does not include the effect of employee share purchase options outstanding (2020 –28,481,500, 2019 – 25,752,266), non-employee share purchase options and warrants (2020 – 17,924,765, 2019 – 31,772,941) and DSUs (2020 – 458,129, 2019 – 458,129), as they were anti-dilutive.

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

12. EMPLOYMENT COSTS

During the year ended December 31, 2020, the Group recorded $21,610 (2019 - $15,648) in salaries and benefits, including share-based payments of $9,342 (2019 - $3,970) and amounts paid to HDSI for services provided to the Group by HDSI personnel (note 9(b)).

13. INCOME TAX

	Year ended December 31	
Reconciliation of effective tax rate	**2020**	2019
Net loss	$ (63,872)	$ (69,193)
Total income tax (recovery) expense	–	–
Loss excluding income tax	(63,872)	(69,193)
Income tax recovery using the Company's domestic tax rate	(17,245)	(18,682)
Non-deductible expenses and other	1,393	1,375
Change in tax rates	–	–
Deferred income tax assets not recognized	15,852	17,307
	$ –	$ –

The Company's domestic tax rate for the year was 27% (2019 – 27%).

Deferred income tax assets (liabilities)	**December 31 2020**	December 31 2019
Tax losses	$ 2,421	$ 2,342
Net deferred income tax assets	2,421	2,342
Resource property/investment in Pebble Partnership	(2,421)	(2,342)
Equipment	–	–
Net deferred income tax liability	$ –	$ –

The Group had the following temporary differences at December 31, 2020 in respect of which no deferred tax asset has been recognized:

Expiry	Tax losses	Resource pools	Other
Within one year	$ –	$ –	$ –
One to five years	–	–	7,445
After five years	270,224	–	–
No expiry date	31,586	93,065	190
Total	$ 301,810	$ 93,065	$ 7,635

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

The Group has taxable temporary differences in relation to investments in foreign subsidiaries or branches of \$8.5 million (2019 – \$8.2 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.

14. 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 4) exclude receivable balances with government agencies. The Group's maximum exposure was as follows:

Exposure	**December 31 2020**	December 31 2019
Amounts receivable	$ 587	$ 239
Restricted cash	791	805
Cash and cash equivalents	42,460	14,038
Total exposure	$ 43,838	$ 15,082

(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. However, the Group has noted material uncertainty that raises substantial doubt about the Group's ability to continue as a going concern notwithstanding the Group having positive working capital (note 1) as demands may exceed existing resources in 2021, and that it has been successful in the past in raising funds when needed. The Group's cash and cash equivalents at the reporting date were invested in business and savings accounts (note 5(a)).

The Group's financial liabilities are comprised of current trade and other payables (note 10) and payables to related parties (note 9), which are due for payment within 12 months from the reporting date, and non-current trade payables, which are due for payment more than 12 months from the reporting date. The carrying amounts of the Group's financial liabilities represent the Group's contractual obligations.

(c) Foreign Exchange Risk

The Company is subject to both currency transaction risk and currency translation risk: the Pebble Partnership, Pebble Services Inc. and U5 Resources Inc. have the US dollar as functional currency, and certain of the Company's corporate expenses are incurred in US dollars. The operating results and financial position of the Group are reported in Canadian dollars in the Group's consolidated financial statements. As a result, the fluctuation of the

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

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.

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

	December 31 2020	December 31 2019
Financial assets:		
Amounts receivable	$ 649	$ 263
Cash and cash equivalents and restricted cash	23,624	14,090
	24,273	14,353
Financial liabilities:		
Non-current trade payables	(657)	(932)
Warrant liabilities	–	(43)
Current trade and other payables	(6,170)	(12,426)
Payables to related parties	(650)	(24)
	(7,477)	(13,425)
Net financial assets exposed to foreign currency risk	$ 16,796	$ 928

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 $1,680 (2019 – $93) in the reported period. This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

(d) Interest Rate Risk

The Group is subject to interest rate cash flow risk with respect to its investments in cash and cash equivalents. 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 $282 (2019 – $145).

(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 period. 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.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Fair value measurements, which are determined by using valuation techniques, are classified in their entirety as either Level 2 or Level 3 based on the lowest level input that is significant to the measurement.

The fair value measurement of the warrant liabilities until their exercise (note 7) was categorized within Level 2 of the hierarchy as it was exposed to market risk as they employed the quoted market price of shares and foreign exchange rates.

15. COMMITMENTS AND CONTINGENCIES

(a) Legal Proceedings

Class Action Litigation Relating To Short Seller Investment Report

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 officers and directors in US federal courts. Two of the plaintiffs voluntarily dismissed their claims without prejudice while the third was dismissed by the courts. The time period for the plaintiffs to appeal has expired and there is no further opportunity for the plaintiffs to appeal the district court's dismissal order or the appellate court's affirmation of that decision.

Class Action Litigation Relating to the USACE's Record of Decision

On December 4 and December 17, 2020, separate putative shareholder class action lawsuits were filed against the Company and certain of its current and former officers and directors in the U.S. District Court for the Eastern District of New York regarding the drop in the price of the Company's stock following the interim adverse decision by the USACE regarding the Pebble Project. These cases are captioned *Darish v. Northern Dynasty Minerals Ltd. et al., Case No. 1:20-cv-05917-ENV-RLM*, and *Hymowitz v. Northern Dynasty Minerals Ltd. et al.,* Case No. 1:20-cv-06126-PKC-RLM. Each of the complaints was filed on behalf of a purported class of investors who purchased shares of the Company's stock from December 21, 2017, through November 25, 2020, the date the USACE announced its decision, and seeks damages allegedly caused by violations of the federal securities laws under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 promulgated thereunder. On March 17, 2021, two cases were consolidated and a lead plaintiff and counsel were appointed. The Company, which has not yet been served with the complaints, intends to defend itself vigorously against these actions.

On December 3, 2020, a putative shareholder class action lawsuit was filed against the Company, certain of its current and former officers and directors, and one of its underwriters in the Supreme Court of British Columbia regarding the decrease in the price of the Company's stock following the USACE's November 25, 2020, decision regarding the Pebble Project. The case is captioned *Haddad v. Northern Dynasty Minerals Ltd. et al.,* Case No. VLC-S-S-2012849. The claim was filed on behalf of a purported class of investors, wherever they may reside, who acquired common shares of the Company's stock between December 21, 2017, and November 25, 2020, and seeks damages for (i) alleged misrepresentations in the Company's primary market offering documents and continuous disclosure documents, and (ii) its allegedly oppressive conduct. The Company has been served the claim and intends to defend itself vigorously. The underwriter has asserted contractual rights of indemnification against the Company for any loss that the underwriter may incur in connection with the lawsuit.

Given the nature of the claims, it is not currently possible for the Company to predict the outcome nor practical to determine their possible financial effect.

(b) Short-term lease commitments

As of December 31, 2020, the Group has $91 in short-term lease commitments. These leases have fixed monthly payments for the remaining term.

(c) Right-of-Way Annual Payment Commitments

The Group has Right-of-Way ("ROW") agreements with Alaska Native village corporations and other landowners with land holdings along proposed transportation and infrastructure routes for the Pebble Project. The Group issued the required notice pursuant to the terms of two of the ROW agreements in November 2020, and as such has a commitment for the annual toll payments due in 2021.

(d) Pipeline Right-of-Way Bond Commitment

The Group has a bond of US$300 with the Alaskan regulatory authorities for a performance guarantee related to any potential reclamation liability as a condition for a pipeline right-of-way to a subsidiary of the Pebble Partnership, the Pebble Pipeline Corporation. The Group is liable to the surety provider for any funds drawn by the Alaskan regulatory authorities.

(e) Pebble Performance Dividend Commitment

The Group has a future commitment beginning at the outset of project construction at the Pebble Project to distribute cash generated from a 3% net profits royalty interest in the Pebble Project to adult residents of Bristol Bay villages that have subscribed as participants, with a guaranteed minimum aggregate annual payment of US$3,000 each year the Pebble mine operates.

(f) Improvements to Camp Facilities

The Group has committed to fund improvements to camp facilities up to a maximum of US$350. As of December 31, 2020, US$71 in improvement costs have been incurred.

16. EVENTS AFTER THE REPORTING PERIOD

(a) Grand Jury Subpoena

On February 5, 2021, the Company announced that the Pebble Partnership and its former CEO, Tom Collier, have each been served with a subpoena issued by the United States Attorney's Office for the District of Alaska to produce documents in connection with a grand jury investigation apparently involving previously disclosed recordings of private conversations regarding the Pebble Project. The Company and the Pebble Partnership intend to cooperate with the investigation. The Company is not aware of any civil or criminal charges having been filed against any entity or individual in this matter. The Company also self-reported this matter to the US Securities and Exchange Commission, and there is a related informal inquiry being conducted by the enforcement staff of the agency's San Francisco Regional Office.

(b) Class Action Litigation Relating to the USACE's Record of Decision

On February 17, 2021, a putative shareholder class action lawsuit was filed against the Company, certain of its current and former officers and directors, and certain of its underwriters in the Supreme Court of British Columbia regarding the decrease in the price of the Company's stock following (i) the USACE's August 24, 2020 announcement that the Pebble Project could not be permitted as proposed, and (ii) the USACE's November 25, 2020 decision regarding the Pebble Project. The case is captioned *Woo v. Northern Dynasty Minerals Ltd. et al.*, Case No. VLC-S-S-211530. The claim was filed on behalf of a purported class of investors, wherever they may reside, who purchased securities of the Company between June 25, 2020 and November 25, 2020, and seeks damages for (i) alleged misrepresentations in the Company's primary market offering documents and continuous disclosure documents, (ii) allegedly oppressive conduct, (iii) alleged unjust enrichment, and (iv) negligence. The Company has been served and intends to defend itself vigorously. One of the underwriters has asserted contractual rights of indemnification against the Company for any loss that the underwriter may incur in connection with the lawsuit.

On March 5, 2021, a putative shareholder class action lawsuit was filed against the Company, certain of its current and former officers and directors, and certain of its underwriters in the Ontario Superior Court of Justice regarding the decrease in the price of the Company's stock following the USACE's November 25, 2020 decision regarding the Pebble Project. The case is captioned *Pirzada v. Northern Dynasty Minerals Ltd. et al.*, Case No. CV-21-00658284-00CP. The claim was filed on behalf of a purported class of investors, wherever they may reside, who acquired securities of the Company between June 25, 2020 and November 25, 2020, and seeks damages for (i) alleged misrepresentations in the Company's primary market offering documents and continuous disclosure documents, (ii) allegedly oppressive conduct, and (iii) alleged negligence. The Company has not been served and intends to defend itself vigorously.

Given the nature of the claims, it is not currently possible for the Company to predict the outcome nor practical to determine their possible financial effect.

Northern Dynasty Minerals Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2020

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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 (the "**Financial Statements**") of Northern Dynasty Minerals Ltd. ("**Northern Dynasty**" or the "**Company**") for the year ended December 31, 2020 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 31, 2021.

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;
- the success of our appeal of the Record of Decision (the "**ROD**") of the United States Army Corps of Engineers (the "**USACE**") denying the issuance of certain permits required for the Pebble Project;
- our ability to successfully apply for and obtain the federal and state permits that we will be required to obtain for the Pebble Project, including under the Clean Water Act ("**CWA**"), the National Environmental Policy Act ("**NEPA**"), and relevant legislation;
- the outcome of the US government investigations involving the Company;
- our ability to successfully defend against purported class action law suits that have been commenced against the Company;
- 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 meet our working capital requirements;
- 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;
- the uncertainties with respect to the effects of COVID-19; 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 our appeal of the ROD with the USACE will be successful;
- 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 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 will be economically feasible based on a mine plan for which permitting can be secured;
- that the COVID-19 outbreak will not materially impact or delay our ability to obtain permitting for a mine at the Pebble Project;
- that the market prices of copper, gold, molybdenum, silver and rhenium 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 adequate financing on acceptable terms.

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

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

- we may be unsuccessful in our appeal of the ROD with respect to the decision to deny the issuance of many of the permits which we require to operate a mine at the Pebble Project;
- 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;
- we may not be successful in defending shareholder securities litigation claims that have been filed against us in the US and in Canada;
- the uncertainty of the outcome of current or future government investigations and inquiries, including but not limited to, matters before the U.S. Department of Justice and the Securities and Exchange Commission;
- government efforts to curtail the COVID-19 pandemic may delay the Company in completion of its work relating to this permitting process;
- our ability to obtain funding for working capital and other corporate purposes associated with advancement of the Pebble Project;
- an inability to continue to fund exploration and development activities and other operating costs;
- our actual operating expenses may be higher than projected;
- 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, silver and rhenium 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 including but not limited to, the appeal of the ROD denying the issuance of permits required to operate a mine at the Pebble Project;
- the possible inability to insure our operations against all risks;
- the highly competitive nature of the mining business;
- the potential equity dilution to current shareholders due to future equity financings or from the exercise of share purchase options and warrants to purchase Company's shares; 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.

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 these 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* ("**The SEC Modernization Rules**"). The SEC Modernization Rules include the adoption of 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 Resources, Indicated Resources and Inferred 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 the mineral deposits in these categories will ever be converted into reserves.

In addition, Inferred Resources have a great amount of uncertainty as to their economic and legal feasibility. 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.

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-Rhenium 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. In 2020, the Company announced the results of an updated resource estimate, indicating that in addition to being a significant copper, gold molybdenum and silver deposit, Pebble contains a globally significant resource of rhenium. Rhenium is considered a strategic metal by the US Congress, the US Geological Survey, the US Department of Interior and the US military: jet engine and related military applications currently account for approximately 80% of current annual US rhenium consumption, and industrial applications that employ rhenium as a catalyst in the production of such things as high octane, lead-free gasoline, account for the remainder.

The August 2020 estimate of the Pebble mineral resources[1] at a 0.30% copper equivalent cut-off grade comprises:

- 6.5 billion tonnes in the combined **Measured and Indicated** categories at a grade of 0.40% copper, 0.34 g/t gold, 240 ppm molybdenum, 1.7 g/t silver and 0.41 ppm rhenium, containing 57 billion pounds of copper, 71 million ounces of gold, 3.4 billion pounds of molybdenum, 345 million ounces of silver and 2.6 million kilograms of rhenium; and
- 4.5 billion tonnes in the **Inferred** category at a grade of 0.25% copper, 0.25 g/t gold, 226 ppm molybdenum, 1.2 g/t silver and 0.36 ppm, containing 25 billion pounds of copper, 36 million ounces of gold, 2.2 billion pounds of molybdenum, 170 million ounces of silver and 1.6 million kilograms of rhenium.

A 2½-year, intensive federal review process under the NEPA culminated on July 24, 2020, when the USACE published the final Pebble EIS. Led by the USACE, the Pebble EIS process also involved eight federal cooperating agencies (including the US Environmental Protection Agency and US Fish & Wildlife Service), three state

[1] For further details see Section 1.2.1, *Pebble Project - August 2020 Mineral Resource Estimate*.

cooperating agencies (including Alaska Department of Natural Resources and Alaska Department of Environmental Conservation), the Lake & Peninsula Borough and federally recognized tribes.

The final Pebble EIS was viewed by the Company as positive in that it found impacts to fish and wildlife would not be expected to affect harvest levels, there would be no measurable change to the commercial fishing industry including prices and there would be a number of positive socioeconomic impacts on local communities.

The CWA 404 Permit Application was submitted in December 2017, and the permitting process over the next three years involved the Pebble Partnership being actively engaged with the USACE on the evaluation of the Pebble Project. There were numerous meetings between representatives of the USACE and the Pebble Partnership regarding, among other things, compensatory mitigation for the Pebble Project. The Pebble Partnership submitted several draft compensatory mitigation plans to the USACE, each refined to address comments from the USACE and that the Pebble Partnership believed were consistent with mitigation proposed and approved for other major development projects in Alaska. In late June 2020, USACE verbally identified the "significant degradation" of certain aquatic resources, with the requirement of new compensatory mitigation. The Pebble Partnership understood from these discussions that the new compensatory mitigation plan for the Pebble Project would include in-kind, in-watershed mitigation and continued its work to meet these new USACE requirements.

The USACE formally advised the Pebble Partnership by letter dated August 20, 2020 that it had made preliminary factual determinations under Section 404(b)(1) of the CWA that the Pebble Project as proposed would result in significant degradation to aquatic resources. In connection with this preliminary finding of significant degradation, the USACE formally informed the Pebble Partnership that in-kind compensatory mitigation within the Koktuli River watershed would be required to compensate for all direct and indirect impacts caused by discharges into aquatic resources at the mine site. The USACE requested the submission of a new compensatory mitigation plan to address this finding within 90 days of its letter.

Based on these requirements, the Pebble Partnership developed a new compensatory mitigation plan (the "**CMP**") to align with the requirements outlined by the USACE as conveyed to the Pebble Partnership. This plan envisioned creation of an 112,445-acre Koktuli Conservation Area on land belonging to the State of Alaska in the Koktuli River watershed downstream of the Project. During the period in which this CMP was developed, the Pebble Partnership continued to confer with the USACE regarding its proposed approach to mitigation . An initial draft of the CMP was submitted to the USACE for an interim review by the USACE in September 2020. The Pebble Partnership then revised the CMP based on the input from the USACE. The objective of the preservation of the Koktuli Conservation Area was to allow the long-term protection of a large and contiguous ecosystem that contains valuable aquatic and upland habitats. If adopted, the Koktuli Conservation Area would preserve 31,026 acres of aquatic resources within the aquatic resource of national importance-designated Koktuli River watershed. The protected resources were designed to address the physical, chemical, and biological functions highlighted by the EPA and U.S. Fish & Wildlife Service. Preservation of the Koktuli Conservation Area was proposed with the objective of minimizing the threat to, and preventing the decline of, aquatic resources in the Koktuli River watershed from potential future actions, and sustaining the fish and wildlife species that depend on these aquatic resources, while protecting the subsistence lifestyle of the residents of Bristol Bay and commercial and recreational sport fisheries. The revised plan was submitted to the USACE on November 4, 2020.

On November 25, 2020, the USACE issued the ROD. The ROD rejected the compensatory mitigation plan as "noncompliant" and determined the project would cause "significant degradation" and was contrary to the public interest. Based on this finding, the USACE rejected Pebble Partnership's permit application under the Clean Water Act.

The Pebble Partnership submitted a request for appeal of the ROD (the "**RFA**") to the USACE Pacific Division on January 19, 2021. The RFA reflects the Pebble Partnership's position that the USACE's ROD and permitting decision are contrary to law, unprecedented in Alaska, and fundamentally unsupported by the administrative record, including the Pebble Project EIS. The specific reasons for appeal asserted by the Pebble Partnership in the RFA include (i) the finding of "significant degradation" by the USACE is contrary to law and unsupported by the record, (ii) the USACE's rejection of the Pebble Partnership's compensatory mitigation plan is contrary to USACE regulations and guidance, including the failure to provide the Pebble Partnership with an opportunity to correct the alleged deficiencies, and (iii) the determination by the USACE that the Pebble Project is not in the public interest is contrary to law and unsupported by the public record.

In a letter dated February 24, 2021, the USACE confirmed the Pebble Partnership's RFA is "complete and meets the criteria for appeal." The USACE has appointed a Review Officer to oversee the administrative appeal process. The appeal process will now move to consideration by the USACE of the merits of the appeal. The appeal will be reviewed by the USACE based on the administrative record and any clarifying information provided, and the Pebble Partnership will be provided with a written decision on the merits of the appeal at the conclusion of the process. The appeal is governed by the policies and procedures of the USACE administrative appeal regulations. While federal guidelines suggest the appeal should conclude within 90 days, the USACE has indicated the complexity of issues and volume of materials associated with Pebble's case means the review will likely take additional time. There is no assurance that the Company's appeal of the ROD will be successful or that the required permits for the Pebble Project will ultimately be issued. The permits are required in order that the Pebble Project can be developed as proposed by the Company. If the Pebble Partnership's administrative appeal of the ROD is successful, then we anticipate that the permitting decision would be remanded back to the USACE's Alaska District in order that the permitting process would then continue based on the administrative record and the findings and determinations made by the USACE Pacific Division in its appeal decision. There is no assurance that a successful appeal will ultimately result in the issuance of a positive ROD by the USACE Alaska District. If the Pebble Partnership's administrative appeal is not successful, the Company may seek judicial review of the ROD in the appropriate US District Court. There is no assurance that any judicial review would be successful in overturning an unsuccessful appellate decision.

On January 22, 2021, the State of Alaska, acting in its role as owner of the Pebble lands and subsurface mineral estate, announced that it had also filed a request for appeal. That appeal was rejected on the basis that the State did not have standing to pursue an administrative appeal with the USACE.

Much of the work by the Company through the Pebble Partnership in 2020, and since 2017 has focused on facilitating and providing support to the federal EIS permitting process. The most recent work is summarized in section 1.2.1.2 *Technical Programs*. The Company also continued to actively engage and consult with project stakeholders to share information and gather feedback on the Pebble Project, its potential effects and proposed mitigation. In 2018, 2019 and 2020, right-of-way agreements were secured with Alaska Native village corporations and other landowners whose lands cover portions of several proposed transportation and infrastructure routes for the Pebble Project. Opportunities for additional community benefits from development of the project have also been explored, including the Pebble Performance Dividend revenue sharing program for full-time adult residents of Bristol Bay communities, and a Memorandum of Understanding ("**MOU**") with Alaska Peninsula Corporation ("**APC**") announced in July 2020. These are further described in section 1.2.1.1 *Agreements,* and 1.2.1.1 *Other Initiatives with Alaska Native Village Corporations*. Corporate activities have been directed toward raising capital to support the EIS process and discussions directed toward securing a partner with which to advance the overall development of the project.

From 2001, when Northern Dynasty's involvement at the Pebble Project began, to December 31, 2020, a total of $979 million (US$883 million) has been invested to advance the project.[2]

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[2] 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

Plans for 2021

In 2021, the Company's plans include: continuing with the appeal of the ROD by the USACE; undertaking additional engineering, environmental, permitting and evaluation work on the Pebble Project as required; maintaining an active corporate presence in Alaska and Washington DC in order to advance relationships with political and regulatory offices of government, Alaska Native partners and broader stakeholder groups; (contingent on the appeal of the ROD and issuance of a permit from the Alaska District), initiating Alaska state permitting activities; and, seeking potential partner(s) with sufficient financial resources to further advance the Pebble Project. This is further described in 1.5.3 *Plan of Operations*.

Corporate

As at December 31, 2020, the Company had $42.5 million in cash and cash equivalents and working capital of $36.5 million. Financings with gross proceeds of approximately $82.6 million were completed during the year ended December 31, 2020 (see section 1.2.3 *Financings*). In addition, the Company received approximately $12.4 million in proceeds from the exercise of share purchase options and warrants. As of March 30, 2021, the Company's cash balance was approximately $37.8 million (US$29.9 million, using the closing rate of C$1.2631).

Although, the Company has prioritized the allocation of its available financial resources to meet key corporate and Pebble Project expenditure requirements in the near term, including the funding of the appeal of the ROD and other matters addressed in 1.5.3 *Plan of Operations*, additional financing will be required beyond the twelve-month period for the further development of the project. The Company will seek the necessary financing through any of or a combination of debt and equity and/or contributions from possible new Pebble Project participants; however 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.

On March 26, 2021, Wayne Kirk was appointed to the Board.

1.2.1 Pebble Project

The Pebble Project 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 generally favorable for the mine site and infrastructure development.

1.2.1.1 Project Background and Status

The Pebble deposit was discovered in 1989 by a prior operator, which by 1997 had developed an initial outline of the deposit.

Northern Dynasty has been involved in the Pebble Project since 2001. Exploration since that time has led to significant expansion of the mineral resources in the Pebble deposit, including a substantial volume of higher grade mineralization in its eastern part. The deposit also remains open to further expansion at depth and to the east. A number of other occurrences of copper, gold and molybdenum have also been identified along the extensive northeast-trending mineralized system that underlies the property. The potential of these earlier-stage prospects has not yet been fully explored.

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.

Comprehensive deposit delineation, environmental, socioeconomic and engineering studies of the Pebble deposit began in 2004. A Preliminary Assessment of the Pebble Project completed in 2011, provided initial 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.

The 27,000-page Environmental Baseline Document ("**EBD**") for the Pebble Project was released to the public in January 2012. 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. Data from the 2009-2013 period was compiled into the Supplemental EBD (2009 to 2013). Both volumes have been substantively updated since the original EBD was published in 2012. The data from 2009-2019 was also provided to USACE for the Pebble EIS process. The wetlands field work conducted in the summer of 2020 was also for the purpose of verifying appropriate wetlands quality/quantity for the new CMP in the Koktuli watershed.

In February 2014, the US Environmental Protection Agency ("**EPA**") announced a pre-emptive regulatory action (the "**Proposed Determination**") 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, which enabled the project to move forward with state and federal permitting. Also as part of the joint settlement agreement, the EPA agreed to initiate a process to propose to withdraw the Proposed Determination. That process was initiated in July 2017 but was suspended in January 2018. It was re-initiated by the EPA in late June 2019, ultimately leading it to its withdrawal in July 2019.

Permitting

In the latter part of 2017, a project design was developed for the Pebble Project. The CWA 404 permit application was submitted to the USACE on December 22, 2017, initiating federal review for the Pebble Project under NEPA. Significant milestones in this permitting process are summarized below:

- On February 5, 2018, USACE announced the appointment of AECOM, a leading global engineering firm, as third-party contractor for the USACE EIS process;
- On March 19, 2018, USACE published guidelines and timelines for completing CWA permitting, and the associated USACE EIS process;
- Between April and August 2018, the Pebble Project was advanced through the Scoping Phase of the EIS process administered by the USACE:
    - Scoping was initiated on April 1, 2018 with a 90-day public comment period concluded on June 29, 2018; and
    - The USACE released the Scoping Document on August 31, 2018.
- On February 20, 2019, USACE posted the draft EIS on its website, then initiated a public comment process on the draft EIS, which was completed on July 2, 2019;
- In February 2020, a preliminary version of the Final EIS was distributed for comment and review to cooperating agencies and to tribes participating in the process;
- In March 2020, USACE announced it had decided on a Northern Transportation Route option as the draft Least Environmentally Damaging Practicable Alternative ("**LEDPA**") for accessing the proposed Pebble mine site, subsequent to which the Pebble Partnership revised its Proposed Project Description to align with the USACE selection. The Northern Transportation Route includes adjustments to the port site (location at Diamond Point with off-shore lightering station) and a road and pipeline route (located further to the north with no lake crossings or ferry terminals);

- In May 2020, the EPA issued a letter confirming the EPA's decision not to pursue so-called 3(b) elevation under the CWA 404(q) guidelines; and
- On July 24, 2020, the USACE posted the final Pebble EIS on its website.

Northern Dynasty, through Pebble Partnership, has continued to advance engineering studies to refine the mine design and to support the EIS process. The results of this work have been reported in updates to the Project Description.

The final Pebble EIS analyzes the potential impacts of four action development alternatives, and a "No Action" alternative. The development option selected by USACE as the draft LEDPA is described in the June 2020 Project Description. It includes a proposed open-pit mining operation and associated ore processing facilities in southwest Alaska, an 82-mile road, pipeline and utilities corridor to a permanent, year-round port facility on Cook Inlet, a lightering location in Iniskin Bay, a 164-mile natural gas pipeline from existing energy infrastructure on the Kenai Peninsula to the Pebble mine site, a 270 MW natural gas-fired power plant at the mine site and smaller power generation facility at the port site.

Over 20 years of mining, the Pebble Project as proposed will extract approximately 70 million tons of mineralized material annually at the extremely low strip ratio of 0.12:1. A conventional blast-haul-crush and froth flotation milling process with nameplate capacity of 180,000 tons per day will be employed to produce, on average, 613,000 tons of copper-gold concentrate each year (containing 318 million lb Cu, 362,000 oz Au and 1.8 million oz Ag) and 15,000 tons of molybdenum concentrate (containing 14 million lb Mo). The current mine plan proposal encompasses the important environmental safeguards previously described, including:

- a smaller footprint, consolidating major site infrastructure in a single drainage.
- 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 final Pebble EIS was viewed by the Company as positive in that it found impacts to fish and wildlife would not be expected to affect harvest levels; there would be no measurable change to the commercial fishing industry, including prices, and a number of positive socioeconomic impacts on local communities.

The Pebble Partnership developed the CMP (further described in the Section 1.2 *Overview* above) to align with the requirements outlined by the USACE. The CMP was submitted on November 4, 2020.

On November 25, 2020, the USACE issued a ROD rejecting the Pebble Partnership's permit application. The Pebble Partnership submitted a request for appeal of the ROD on January 19, 2021. In a letter dated February 24, 2021, the USACE confirmed the Pebble Partnership's RFA is "complete and meets the criteria for appeal." Further details for the RFA are provided in Section 1.2 *Overview*. The proposed project seeks to develop 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 further comprehensive EIS review process under NEPA.

Socioeconomic

Community Engagement

Pebble Project technical programs are supported by stakeholder engagement activities undertaken by the Pebble Partnership 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; and
- 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, and conservation organizations, among others.

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 corporations, and energizes the economy of Southwest Alaska.

Agreements and Other Initiatives with Alaska Native Village Corporations

The Pebble Partnership's active program of engagement and consultation with stakeholders in the area of the Pebble Project includes discussions to secure stakeholder agreements to support the project's development. These discussions have led to right-of-way agreements and other community initiatives in 2019 and 2020.

Right-of-Way Agreements

The Pebble Partnership has finalized Right-of-Way ("**ROW**") agreements with Alaska Native village corporations and other landowners with land holdings along proposed transportation and infrastructure routes for the Pebble Project. Discussions with other landowners continued in 2020.

The ROW agreements secure access to portions of several proposed transportation and infrastructure routes 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. The Pebble Partnership believes it will secure the right to use defined portions of each of the Native village corporations' lands for the construction and operation of transportation infrastructure associated with the Pebble Project in future.

Agreements include the following provisions:

- The Pebble Partnership will make annual toll payments to the Alaska Native village corporation land upon whose lands Pebble-related transportation infrastructure is built and operated, and pay other fees prior to and during project construction and operation;
- Village corporations have been granted 'Preferred Contractor' status at Pebble, which provides a preferential opportunity to bid on Pebble-related contracts located on their lands; and
- The Pebble Partnership has agreed to negotiate a profit sharing agreement with Alaska Native village corporations that will ensure that the corporations and their 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 Alaska Native village corporations, their 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 local villages will allow local residents to access jobs at the Pebble mine site and port site.

The USACE's identification of the Northern Transportation Route as the draft LEDPA for the Pebble Project in 2020 required that the Pebble Partnership secure additional ROW agreements with Alaska Native village corporations and other private landowners with land holdings along the northern route. The Pebble Partnership has initiated the process of securing these additional ROW agreements, and believes it will ultimately achieve the access rights required to build and operate transportation and related infrastructure for the Pebble Project.

Other Community Initiatives

On June 16, 2020, the Company announced the Pebble Partnership has established the Pebble Performance Dividend LLP to provide a local revenue sharing program with the objective of ensuring that full-time residents of communities in southwest Alaska benefit directly from the future operation of the proposed Pebble Project. The intention is for the Pebble Performance Dividend LLP to distribute cash generated from a 3% net profits royalty interest in the Pebble Project to adult residents of Bristol Bay villages that have subscribed as participants, with a guaranteed minimum aggregate annual payment of US$3 million each year the Pebble mine operates, beginning at the outset of project construction. Future payments following capital payback are expected to increase beyond this initial amount.

An MOU between the Pebble Partnership and APC was announced on July 6, 2020. APC is an Alaska Native village corporation with extensive land holdings proximal to the Pebble site. The MOU envisages that APC will lead the development of a consortium of Alaska Native village corporations with land holdings along the Northern Transportation Route. It is contemplated that the consortium would provide road maintenance, truck transport, port operations and other logistical services to the Pebble Project should the development of the mine proceed. The MOU is consistent with the Company's strategy of ensuring the development of the Pebble Project will benefit local Alaska communities and people. The MOU is not a binding final contract. Any final contracts with APC or other Alaska Native village corporations will require further negotiation of commercial terms and negotiation of definitive contracts. There is no assurance that these contracts will be concluded or that the Alaska Native village corporations will support the Pebble Project.

1.2.1.2 Technical Programs

In 2020, technical programs were focused on support of the EIS process and federal permitting of the Pebble Project, which include planning and implementing engineering and environmental field studies and data collection programs. Site programs were directed toward additional data collection for the pipeline right-of-way along the Northern Transportation Route and the CMP. Additionally, in the third quarter, a study of rhenium in the Pebble deposit was completed and the mineral resource estimate was updated. Environmental site work in 2020 included environmental monitoring and collection of additional cultural and wetlands data to support the EIS process, and maintenance of existing stream gauges and weather stations and additional fieldwork for the CMP was completed during the third quarter.

The Pebble team conducted a comprehensive review of the final Pebble EIS that was issued in July 2020. The CMP was developed in response to USACE's expectations for compensatory mitigation of wetlands impacts associated with the project, outlined in a letter to the Pebble Partnership in August 2020. The Pebble Partnership submitted the CMP to USACE in early November 2020.

On November 25, 2020, USACE issued a negative ROD for the Pebble Project. Since that time, the Pebble Partnership and its technical team focused on developing the RFA, which was submitted subsequent to the end of the fourth quarter on January 19, 2021, and its follow up.

Current Mineral Resource Estimate

A technical report summarizing an estimate of the rhenium resource and the June 2020 Project Description utilized for the Final EIS was filed at the beginning of the fourth quarter of 2020. The technical report was recently updated with information on the status of the permitting process, the ROD and the Company's filing of an RFA, and filed with the Company's 2020 Annual Information Form. The updated Technical Report does not include any update to the previously disclosed mineral resource estimate, which remain effective as of August 18, 2020.

David Gaunt, P.Geo., a qualified person as defined under 43-101 who is not independent of Northern Dynasty, is responsible for the current mineral resource estimate tabulated below. To complete the estimate, domains were created for the Pebble deposit based on geology, alteration and grade distribution; estimation parameters, including top cuts, search strategy, and variography were developed for each modelled domain. Rhenium values were interpolated into the Pebble block model using Ordinary Kriging and classified in the same manner as previously estimated grades for copper, gold, molybdenum and silver.

Further details are available in the *2021 Technical Report on the Pebble Project, Southwest Alaska, USA, effective date February 24, 2021, by J. David Gaunt, P. Geo., James Lang, P.Geo., Eric Titley, P.Geo., Hassan Ghaffari, P.Eng., and Stephen Hodgson, P.Eng., ("2021 Technical Report"),* which is filed under the Northern Dynasty profile at www.sedar.com.

Pebble Deposit August 2020 Mineral Resources													
Cutoff CuEq %	CuEq%	Metric Tonnes	Cu (%)	Au (g/t)	Mo (ppm)	Ag (g/t)	Re (ppm)	Cu Blb	Au Moz	Mo Blb	Ag Moz	Re Kkg
Measured												
0.3	**0.65**	**527,000,000**	**0.33**	**0.35**	**178**	**1.7**	**0.32**	**3.83**	**5.93**	**0.21**	**28.1**	**167**
0.4	0.66	508,000,000	0.34	0.36	180	1.7	0.32	3.81	5.88	0.20	27.4	163
0.6	0.77	279,000,000	0.40	0.42	203	1.8	0.36	2.46	3.77	0.12	16.5	100
1.0	1.16	28,000,000	0.62	0.62	302	2.3	0.52	0.38	0.56	0.02	2.0	14
Indicated												
0.3	**0.77**	**5,929,000,000**	**0.41**	**0.34**	**246**	**1.7**	**0.41**	**53.58**	**64.81**	**3.21**	**316.4**	**2,443**
0.4	0.82	5,185,000,000	0.45	0.35	261	1.8	0.44	51.42	58.35	2.98	291.7	2,271
0.6	0.99	3,455,000,000	0.55	0.41	299	2.0	0.51	41.88	45.54	2.27	221.1	1,748
1.0	1.29	1,412,000,000	0.77	0.51	343	2.4	0.60	23.96	23.15	1.07	109.9	853
Measured + Indicated												
0.3	**0.76**	**6,456,000,000**	**0.40**	**0.34**	**240**	**1.7**	**0.41**	**56.92**	**70.57**	**3.42**	**344.6**	**2,615**
0.4	0.81	5,693,000,000	0.44	0.35	253	1.8	0.43	55.21	64.06	3.18	320.3	2,431
0.6	0.97	3,734,000,000	0.54	0.41	291	2.0	0.50	44.44	49.22	2.40	237.7	1,848
1.0	1.29	1,440,000,000	0.76	0.51	342	2.4	0.60	24.12	23.61	1.08	112.0	867
Inferred												
0.3	**0.55**	**4,454,000,000**	**0.25**	**0.25**	**226**	**1.2**	**0.36**	**24.54**	**35.80**	**2.22**	**170.4**	**1,603**
0.4	0.68	2,646,000,000	0.33	0.30	269	1.4	0.44	19.24	25.52	1.57	119.1	1,154
0.6	0.89	1,314,000,000	0.48	0.37	292	1.8	0.51	13.90	15.63	0.85	75.6	673
1.0	1.20	361,000,000	0.68	0.45	377	2.3	0.69	5.41	5.22	0.30	26.3	251

Notes:

Copper equivalent (CuEQ) calculations use metal prices: US$1.85/lb for Cu, US$902/oz for Au and US$12.50/lb for Mo, and recoveries: 85% Cu, 69.6% Au, and 77.8% Mo (Pebble West zone) and 89.3% Cu, 76.8% Au, 83.7% Mo (Pebble East zone).

Contained metal calculations are based on 100% recoveries.

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

The mineral resource estimate is constrained by a conceptual pit shell that was developed using a Lerchs-Grossman algorithm and is based in the following parameters: 42 degree pit slope; metal prices and recoveries of US$1,540.00/oz and 61% Au, US$3.63/lb and 91% Cu, US$20.00/oz and 67% Ag and US$12.36/lb and 81% Mo, respectively; a mining cost of US$1.01/ton with a US$0.03/ton/bench increment and other costs (including processing, G&A and transport) of US$6.74/ton.

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.

ALS Global Geochemistry in North Vancouver, Canada (an ISO/IEC 17025 certified facility) is the main laboratory for the analysis of drill core samples from the Pebble Project. Samples are prepared at ALS laboratory Fairbanks, Alaska. Drill core samples were analyzed for Cu, Mo and 31 additional elements by 4 acid digestion of a 0.4 g sample followed by ICP-AES. Au, Pt and Pd were determined by fire assay fusion of a 30 g sample followed by ICP-AES finish. Cu, Mo, Ag, Re and 47 additional elements were also determined by 4 acid digestion of a 0.25 g sample followed by ICP-AES/MS finish. Hg was determined by aqua regia digestion of a 0.5 g sample followed by cold vapour AAS.

As part of a comprehensive Quality Assurance Quality Control ("QAQC") program, control samples were inserted in each analytical batch at the following rates: standards one in 20 regular samples, in-line replicates one in 20 regular samples and blanks one in 50 regular samples. The control sample results were then checked to ensure proper QAQC.

The mineral resource estimates contained herein have not been adjusted for any risk that the required environmental permits may not be obtained for the Pebble Project. The risk associated with the ability of the Pebble Project to obtain required environmental permits is a risk to the reasonable prospects for eventual economic extraction of the mineralisation and their definition as a mineral resource.

1.2.2 Legal Matters

Grand Jury Subpoena

On September 23, 2020, the Company announced that Tom Collier, the former Chief Executive Officer of the Pebble Partnership, had submitted his resignation in light of comments made about elected and regulatory officials in Alaska and the Pebble Project in private conversations covertly videotaped by an environmental activist group. Conversations with Mr. Collier, as well as others with Ron Thiessen, Northern Dynasty's President and Chief Executive Officer, were secretly videotaped or audiotaped by unknown individuals posing as representatives of a Hong Kong-based investment firm, which represented that it was linked to a Chinese State-Owned Enterprise (SOE). The Company understands that a Washington DC-based environmental group, the Environmental Investigation Agency, released portions of the recordings online after obscuring the voices and identities of the individuals posing as investors. The Company is still considering its remedies, if any, with respect to the creation of these recordings.

Following the release of the recordings, the USACE issued a statement that, following a review of the transcripts of the recordings, they had "*identified inaccuracies and falsehoods relating to the permit process and the relationship between our regulatory leadership and the applicant's executives*". Further, the Pebble Partnership received a letter from the Committee on Transportation and Infrastructure of the United States House of Representatives on November 19, 2020 stating that the comments made by Mr. Collier and Mr. Thiessen regarding the expansion, capacity, size and duration were believed to be inconsistent with the testimony of Mr. Collier before the Committee and demanding production of documents apparently related to the comments.

On February 5, 2021, the Company announced that the Pebble Partnership and Tom Collier, the former Chief Executive Officer of the Pebble Partnership, had each been served with a subpoena issued by the United States Attorney's Office for the District of Alaska to produce documents in connection with a grand jury investigation. The Company and the Pebble Partnership are cooperating with the investigation. The Company is not aware of any civil or criminal charges having been filed against any entity or individual in this matter. The Company also self-reported this matter to the US Securities and Exchange Commission (SEC), and there is a related informal inquiry being conducted by the enforcement staff of the San Francisco Regional Office.

Class Action Litigation Relating to the USACE'S Record of Decision

On December 4 and December 17, 2020, separate putative shareholder class action lawsuits were filed against the Company and certain of its current and former officers and directors in the U.S. District Court for the Eastern District of New York regarding the drop in the price of the Company's stock following the ROD by the USACE regarding the Pebble Project. These cases are captioned *Darish v. Northern Dynasty Minerals Ltd. et al.,* Case No. 1:20-cv-05917-ENV-RLM, and H*ymowitz v. Northern Dynasty Minerals Ltd. et al.,* Case No. 1:20-cv-06126-PKC-RLM. Each of the complaints was filed on behalf of a purported class of investors who purchased shares of the Company's stock from December 21, 2017, through November 25, 2020, the date the USACE announced its decision, and seeks damages allegedly caused by violations of the federal securities laws. On March 17, 2021, two cases were consolidated and a lead plaintiff and counsel were appointed. The Company, which has yet to be served with the complaint, intends to defend itself vigorously against this action.

On December 3, 2020, a putative shareholder class action lawsuit was filed against the Company, certain of its current and former officers and directors, and one of its underwriters in the Supreme Court of British Columbia regarding the decrease in the price of the Company's stock following the USACE's November 25, 2020, decision regarding the Pebble Project. The case is captioned *Haddad v. Northern Dynasty Minerals Ltd. et al.,* Case No. VLC-S-S-2012849. The claim was filed on behalf of a purported class of investors, wherever they may reside, who acquired common shares of the Company's stock between December 21, 2017 and November 25, 2020, and seeks damages for (i) alleged misrepresentations in the Company's primary market offering documents and continuous disclosure documents, and (ii) its allegedly oppressive conduct. The Company has been served the claim and intends to defend itself vigorously. The underwriter has asserted contractual rights of indemnification against the Company for any loss that the underwriter may incur in connection with the lawsuit.

On February 17, 2021, a putative shareholder class action lawsuit was filed against the Company, certain of its current and former officers and directors, and certain of its underwriters in the Supreme Court of British Columbia regarding the decrease in the price of the Company's stock following (i) the USACE's August 24, 2020 announcement that the Pebble Project could not be permitted as proposed, and (ii) the USACE's November 25, 2020 decision regarding the Pebble Project. The case is captioned *Woo v. Northern Dynasty Minerals Ltd. et al.*, Case No. VLC-S-S-211530. The claim was filed on behalf of a purported class of investors, wherever they may reside, who purchased securities of the Company between June 25, 2020 and November 25, 2020, and seeks damages for (i) alleged misrepresentations in the Company's primary market offering documents and continuous disclosure documents, (ii) allegedly oppressive conduct, (iii) alleged unjust enrichment, and (iv) negligence. The Company has been served and intends to defend itself vigorously. One of the underwriters has asserted contractual rights of indemnification against the Company for any loss that the underwriter may incur in connection with the lawsuit.

On March 5, 2021, a putative shareholder class action lawsuit was filed against the Company, certain of its current and former officers and directors, and certain of its underwriters in the Ontario Superior Court of Justice regarding the decrease in the price of the Company's stock following the USACE's November 25, 2020 decision regarding the Pebble Project. The case is captioned *Pirzada v. Northern Dynasty Minerals Ltd. et al.*, Case No. CV-21-00658284-00CP. The claim was filed on behalf of a purported class of investors, wherever they may reside, who acquired securities of the Company between June 25, 2020 and November 25, 2020, and seeks damages for (i) alleged misrepresentations in the Company's primary market offering documents and continuous disclosure documents, (ii) allegedly oppressive conduct, and (iii) alleged negligence. The Company has not been served and intends to defend itself vigorously.

Indemnification Obligations

The Company is subject to certain indemnification obligations to both present and former officers and directors, including Mr. Collier, in respect to the legal proceedings described above. These indemnification obligations will be subject to limitations prescribed by law and the articles of the Company, and may also be subject to contractual limitations.

Class Action Litigation Relating to Short Seller Investment Report

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. Two of the plaintiffs voluntarily dismissed their claims and were brought into the third action, captioned *Victor Diaz v. Northern Dynasty Minerals Ltd., et al* in the Central District of California, which was later dismissed by the courts. The time period for the plaintiffs to appeal has expired and there is no further opportunity for the plaintiffs to appeal the district court's dismissal order or the appellate court's affirmation of that decision.

1.2.3 Financings

Public Offerings

July 2020

On July 15, 2020, Northern Dynasty completed a bought deal offering ("**July 2020 Offering**") of 24,150,000 common shares of the Company at a price of US$1.46 per share for gross proceeds of approximately

US$35.3 million. The offering was completed pursuant to an underwriting agreement dated July 10, 2020, among the Company and Cantor Fitzgerald Canada Corporation, as lead underwriter and bookrunner, and a syndicate of underwriters including BMO Nesbitt Burns Inc., Canaccord Genuity Corp, H.C. Wainwright & Co., LLC, Paradigm Capital Inc., TD Securities Inc., Roth Capital Partners, LLC and Velocity Trade Capital Ltd. (collectively, the "**July 2020 Underwriters**"). The July 2020 Underwriters were paid a 5% cash commission.

The July 2020 Offering was completed by way of a prospectus supplement to the Company's existing Canadian base shelf prospectus and related U.S. registration statement on Form F-10 (SEC File No. 333-238933).

May 2020

On May 13, 2020, the Company completed an underwritten public offering of 14,375,000 common shares at a price of $0.70 per common share for gross proceeds of approximately $10.06 million (the "**May 2020 Public Offering**"). The offering was completed pursuant to an underwriting agreement dated April 29, 2020 among the Company and Cantor Fitzgerald Canada Corporation, as lead underwriter and sole bookrunner, and a syndicate of underwriters including BMO Nesbitt Burns Inc., H.C. Wainwright & Co., LLC. and TD Securities Inc. (the "**May 2020 Underwriters**"). The May 2020 Underwriters were paid a 5% cash commission.

The offered shares were offered by way of a short form prospectus in all provinces in Canada, except Quebec, and in the United States pursuant to a prospectus filed as part of a registration statement under the Canada/U.S. multi-jurisdictional disclosure system.

Private Placements

July and August 2020

On July 30, 2020, and August 6, 2020, Northern Dynasty completed two tranches of a non-brokered private placement (outside of the United States) of 5,807,534 common shares and 100,000 common shares, respectively, at US$1.46 per share for gross proceeds of US$8.6 million. The shares issued pursuant to the private placement were subject to applicable resale restrictions, including a four-month hold period under Canadian securities legislation.

May 2020

On May 13, 2020, the Company completed a non-brokered private placement of 10,357,143 common shares at $0.70 per share for gross proceeds of $7.25 million. The shares issued pursuant to the private placement were subject to applicable resale restrictions, including a four month hold period under Canadian securities legislation.

Use of proceeds

The following table sets out a comparison of the Company's disclosed expected use of net proceeds from the May 2020 Public Offering and the July 2020 Offering to the actual use of net proceeds. The net proceeds were used to advance the Company's business objectives and milestones as follows:

Intended Use of Net Proceeds of 2020 Offerings		Actual Use of Net Proceeds from 2020 Offerings	Variance – (Over)/Under Expenditure	Explanation of Variance and impact on business objectives
Operational expenditures, including engineering, environmental, permitting and evaluation expenses associated with the Pebble Project and the advancement of completion of the Pebble EIS	$6,500,000	$13,671,000	($7,171,000)	During the 2020 permitting process, the USACE informed the Company of two significant changes to the project: (i) in May 2020, the change in the Least Environmentally Damaging Practical Alternative (LEDPA) route from the southern route to the northern route and (ii) the requirement of an in-kind Compensatory Mitigation Plan (CMP). Both of these changes were unexpected and added additional cost to the project.
Enhanced outreach and engagement with political and regulatory offices in the Alaska state and U.S. federal government, Alaska Native partners and broader regional and state-wide stakeholder groups and general and administration costs	$8,500,000	$8,500,000	NA	NA
Current liabilities associated with our working capital deficiency that were incurred by us in connection with (i) exploration and evaluation expenses in connection with the Pebble Project, and (ii) general and administrative expenses	$1,700,000	$1,700,000	NA	NA
Ongoing work with Alaska and federal regulatory agencies in support of the issuance of the EIS and the Record of Decision for the Pebble Project	US$1,000,000	$–	US$1,000,000	Expenses yet to be incurred.

Intended Use of Net Proceeds of 2020 Offerings		Actual Use of Net Proceeds from 2020 Offerings	Variance – (Over)/Under Expenditure	Explanation of Variance and impact on business objectives
Maintain an active corporate presence in Alaska by continuing to build relationships with both federal and Alaska state governments and agencies and Native Corporations and communities in connection with advancement of the Pebble Project	US$3,600,000	US$4,166,000	US($566,000)	Additional funds paid for Right-of-Way Agreements and other matters.
Commence the Alaska state permitting process for the Pebble Project, contingent upon issuance of a positive EIS and Record of Decision for the Pebble Project and management determinations as to timing	US$10,250,000	US$-	US$10,250,000	State permitting has not yet been initiated and is pending appeal of the ROD denial.
Maintenance of the Pebble claims in good standing.	US$1,400,000	US$1,400,000	NA	NA
Ongoing discussions and possible negotiations to secure a project partner(s) with the financial resources to advance development of the Pebble project	US$1,000,000	US$-	US$1,000,000	Expenses yet to be incurred.
General corporate purposes – payment of current liabilities associated with the Company's working capital deficiency	US$11,627,000	US$-	US$11,627,000	General corporate expenses incurred through the existing treasury.

1.2.4 Market Trends

In 2020, metal prices overall were impacted significantly by the downturn in economic conditions and ongoing uncertainty related to the COVID-19 pandemic.

Copper prices were variable in 2016, and the average annual price decreased. Prices were variable to improving in 2017 resulting in an increase in the average annual price. Prices were variable in early 2018, trended downward from June to August, then improved through to the end of the year and into 2019. Prices decreased in April/May and were slightly variable through September when they increased, and remained stable until late January 2020 when they dropped sharply, losing the gain made in late 2019. In March 2020, prices dropped sharply in response changing economic conditions related to COVID-19 but rebounded in May and trended upward during the third quarter. Prices dropped slightly in October 2020, but have gone up since that time. A recent closing price is US$3.99/lb.

Gold prices trended upward for most of 2016. In 2017, prices were variable to increasing, but then dropped late in the year. After rebounding in January 2018, prices were relatively stable for several months, until dropping in the third quarter of 2018. Prices trended upward in the latter part of 2018 and through most of 2019 before stabilizing from September to December 2019. Gold prices trended upward from January to March 2020, when they dropped sharply, then resumed the upward trend in response to uncertainty about global economic conditions related to COVID-19. Prices reached record highs in late July and early August, then dropped a bit but have stabilized somewhat since that time. Prices have been variable in 2021, and gone down since February. A recent closing price is US$1,706/oz.

After being relatively flat in 2016, molybdenum prices increased in 2017 and through most of 2018, and were steady from September to December 2018. Prices had varied only slightly in 2019, before dropping from October through to mid-January 2020. Molybdenum prices were on a downtrend for the most part in 2020 but have improved since August and into 2021, with a recent closing price of US$10.80/lb.

Silver prices were variable to improving during most of 2016 and 2017. Prices declined in late 2017 but recovered in January 2018, and then were variable for the rest of the year, with a decrease in the average annual price in 2018. Prices were variable in 2019, but stabilized in November and December and the annual average price increased in 2019. After increasing in early January 2020, silver prices fell to US$12.00/oz in March 2020. In response to uncertainty about global economic conditions related to COVID-19, silver prices resumed an uptrend and reached a high in mid-August in excess of US$27.00/oz, then decreased to around US$23.00/oz and then continued on an uptrend for the remainder of the year, resulting in an increase in the average annual price. Silver prices in 2021 have continued the uptrend. A recent closing price is US$24.83/oz.

Average annual prices of copper, gold, molybdenum and silver for the past five years as well as the average prices so far in 2021 are shown in the table below:

Year	Average metal price [1,2]			
	Copper US$/lb	Gold US$/oz	Molybdenum US$/lb	Silver US$/oz
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	2.72	1,393	11.36	16.21
2020	2.80	1,769	8.68	20.54
2021 (to March 30)	3.85	1,797	11.33	26.32

1. *Source for copper, gold, molybdenum and silver (2016-2017) is Argus Media at www.metalprices.com*
   LME Official Cash Price for copper and molybdenum (2016-2017)
   LBMA PM Price for gold
   London PM fix for silver
2. *Source for 2018-2021 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 2020	Fiscal year 2019	Fiscal year 2018
Total assets	$ 180,374	$ 154,624	$ 161,924
Total non-current liabilities	657	934	7,194
Total current liabilities	7,411	15,185	6,520
Exploration and evaluation expenses	39,219	53,014	50,409
General and administrative expenses	11,545	9,365	8,652
Legal, accounting and audit	2,438	2,416	2,419
Share-based compensation	9,342	3,970	4,734
Non-refundable early option price installment	–	–	(48,097)
Sale of royalty and royalty income	–	–	(648)
Other items [1]	1,328	428	(1,512)
Loss for the year	**$ 63,872**	**$ 69,193**	**$ 15,957**
Basic and diluted loss per common share	$ 0.13	$ 0.19	$ 0.05
Weighted average number of common shares outstanding ('000')	473,668	358,343	312,265

Notes

1. Other items include interest income, finance expense, exchange gains or losses and other income.

Discussion on period-to-period variances:

- The increase in assets in 2020 vs 2019 is due primarily to the increase in cash and equivalents due to the increase in proceeds from private placements and the exercise of share purchase options and warrants. The decrease in assets in 2019 vs 2018 was due mainly to the decrease in carrying value of the Company's mineral property, plant and equipment as the appreciation of the Canadian dollar in relation to US dollar resulted in an decrease in the carrying value in the Company's reporting currency,
- Non-current liabilities decreased in 2020 vs 2019 as the non-current portion of lease liabilities decreased. Non-current liabilities decreased in 2019 vs 2018 as the final $7,194 installment in legal success fees, which became payable as a result of the joint settlement settlement agreement between the Company and the EPA in 2017, was transferred to current liabilities. However, the Company also recognized $934 as the non-current portion of lease liabilities. Current liabilities decreased in 2020 vs 2019 as half of the final installment in legal success fees was paid. Current liabilities increased in 2019 vs 2018 as it included the final installment in legal success fees (discussed above), and $2,331 in loans (including interest) received pursuant to the non-revolving term credit facility.
- Exploration and evaluation expenses ("**E&E**") decreased in 2020 vs 2019 as the Company focused on supporting the EIS process and federal permitting. E&E increased in 2019 vs 2018 as the Company advanced engineering studies, continued ongoing environmental monitoring and collection of additional data to support the EIS 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 were marginally up in 2020 but still in line with 2019 and 2018.

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	Dec 30 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019	Jun 30 2019	Mar 31 2019
Expenses								
Exploration and evaluation	$ 7,183	$ 14,470	$ 10,332	$ 7,234	$ 11,998	$14,265	$14,701	$ 12,050
General and administrative	3,139	3,272	2,727	2,407	2,122	2,723	2,171	2,349
Legal, accounting and audit	112	701	638	987	780	(45)	790	891
Share-based compensation	1,288	6,992	615	447	455	2,149	662	704
Other items [1]	1,218	326	144	(360)	235	26	(50)	217
Loss for the quarter	$ 12,940	$ 25,761	$ 14,456	$10,715	$ 15,590	$19,118	$18,274	$ 16,211
Basic and diluted loss per common share	$ 0.03	$ 0.05	$ 0.03	$ 0.02	$ 0.04	$ 0.05	$ 0.05	$ 0.05
Weighted average number of common shares (000s)	508,916	499,285	451,788	434,012	387,352	371,605	346,717	326,902

1. Other items include interest income, finance expense, exchange gains or losses, gain or loss on revaluation of warrants, and other income.

Discussion of Quarterly Trends

E&E has fluctuated depending on activities undertaken. In 2019, the Company focused on planning and deploying site investigations related to supporting the EIS process and the natural gas pipeline right-of-way application, and continued to respond to USACE requests for information relating to the Draft EIS, including the review thereof and providing comments thereon, for USACE's process to advance a final EIS. In 2020, the Company continued its efforts in support of the EIS process to advance a final EIS, which was received, and worked on the LEDPA and the CMP. Further details are discussed in *Engineering* under Section 1.2.1.2. E&E also includes costs for Native community engagement, site leases, land access agreements and annual claim fees.

G&A in 2020 was higher on average than 2019 as the Company incurred higher consulting fees and was impacted by the payments of bonuses including discretionary performance based bonuses paid to the former Pebble Partnership CEO ("**PLP CEO**") (Q3 2019, Q1, Q2 and Q3 2020), and incentive bonuses paid to certain staff (Q1 2019, Q4 2019 and Q1 2020).

In Q3 and Q4 2019 and Q4 2020, legal, accounting and audit expenses decreased as the Company recognized insurance refunds for cumulative securities class action legal costs incurred.

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. The Company granted 6,783,000 and 6,610,500 options in Q3 2020 and 2019, respectively.

1.5 Results of Operations

The following financial data has been prepared from the Financial Statements, 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, 2020 versus 2019

For the three months, the Company recorded a $2.7 million decrease in net loss as loss from operating activities decreased by $3.7 million due mainly to a $4.8 million decrease in E&E in the current quarter.

For the year ended, the Company recorded a $5.3 million decrease in net loss as loss from operating activities decreased by $6.3 million due mainly to a $13.8 million decrease in E&E, which was offset by increases in G&A ($2.1 million) and SBC ($5.4 million).

Exploration and evaluation expenses

The breakdown of E&E for the three months and year as compared to 2019 is as follows:

E&E	Three months		Year	
	2020	2019	**2020**	2019
Engineering	$ 655	$ 1,865	$ 9,171	$ 19,129
Environmental	1,465	3,512	11,782	14,699
Property fees	2,097	1,825	2,104	1,839
Site activities	779	1,072	3,438	4,347
Socio-economic	2,050	2,481	10,451	9,637
Transportation	38	1,073	1,919	2,786
Other activities and travel	99	170	354	577
Total	$ 7,183	$ 11,998	$ 39,219	$ 53,014

E&E decreased by $4.8 million in the current quarter and by $13.8 million for the year due to a decrease in engineering and environmental related activities. In 2019, the Company was advancing engineering studies and responding to information requests from the USACE after the release of the Draft EIS to advance the final EIS.

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 2019:

	Three months		Year	
	2020	2019	**2020**	2019
Conference and travel	$ 43	$ 88	$ 179	$ 448
Consulting	1,024	362	2,346	1,002
Depreciation of right-of-use assets	58	56	235	223
Insurance	266	176	848	689
Office costs, including information technology	247	201	1,132	867
Management and administration	979	988	5,419	4,950
Shareholder communication	500	238	1,039	917
Trust and filing	22	13	347	269
Total G&A	3,139	2,122	11,545	9,365
Legal, accounting and audit	112	780	2,438	2,416
	$ 3,251	$ 2,902	$ 13,983	$ 11,781

G&A in the current quarter increased by $1.0 million due primarily to the increase in consulting fees and shareholder communication costs, the latter partly due to costs relating to the annual general meeting which was held in the December 2020. Legal, accounting and audit expenses decreased by $0.7 million.

In the year to date, G&A increased by $2.1 million due primarily to higher management and administration costs, as discretionary performance and incentive bonuses were paid to certain staff and the former PLP CEO, respectively, and higher consulting fees. Legal, accounting and audit costs remain in line with the prior year as in both years costs were reduced by insurance proceeds for cumulative securities class action costs incurred.

SBC has fluctuated due to the timing of when options, RSUs and DSUs are granted, as well as the quantum thereof, and the vesting periods associated with these grants. In 2020, 6,783,000 (2019 – 6,610,500) options were granted with an estimated fair value of $1.58 (2019 – $0.56) per option.

For the year, the Company recognized a net loss of $204 on the revaluation of the warrant liabilities, which were exercised in the second quarter.

1.5.2 Financial position as at December 31, 2020 versus December 31, 2019

The total assets of the Company increased by $25.7 million due largely to the increase in cash balances due to the increase in proceeds from private placements and the exercise of share purchase options and warrants, which was offset by the decrease in carrying value of the Company's mineral property, plant and equipment as the appreciation of the Canadian dollar in relation to US dollar resulted in an decrease in the carrying value in the Company's reporting currency.

1.5.3 Plan of Operations

Our business objectives for the balance of 2021 are to:

- continue with the appeal of the Record of Decision (RFA) by the USACE;
- continue with engineering, environmental, permitting and evaluation work on the Pebble Project as required;
- maintain an active corporate presence in Alaska to advance relationships with political and regulatory offices of government (both in Alaska and Washington, D.C.), Alaska Native partners and broader stakeholder relationships;

- contingent on a successful appeal of the RFA, initiate Alaska state permitting activities;
- maintain the Pebble Project and Pebble claims in good standing;
- continue to seek potential partner(s) with greater financial resources to further advance the Pebble Project; and
- continue general and administrative activities in connection with the advancement of the Pebble Project.

The key milestones in the development of the Company's business is presently the successful completion of an appeal of the ROD.

The USACE's ROD has had a material impact on the Company's previously disclosed plan of operations. Accordingly, the Company has altered its intended business activities and milestones to be completed over the next 12 months to focus on the appeal of the ROD. The Company's present business objectives and milestones are anticipated to generally include the following activities over the next 12 months:

Milestone/Business Objective	Business Activity within Next 12 Months	Timeframe for Completion [1]	Anticipated Budget during Next 12 Months
Continue with engineering, environmental, permitting and evaluation work on the Pebble Project as required	Work includes ongoing site maintenance to remain in compliance with permitting and demobilization of field equipment as required, additional engineering and evaluation of the project	Ongoing through 2021	$4,100,000
Maintain an active corporate presence in Alaska	Continue to build relationships with: • both federal and Alaska state governments and agencies; • Native Corporations and communities, an example being the establishment of the Pebble Performance Dividend, which is intended to provide a direct benefit to the people of Bristol Bay; • Right-of-Way Payments to various Native Corporations	Ongoing through February 2022	$4,600,000
Pebble claims maintenance	Continue to maintain the Pebble claims in good standing.	Ongoing through February 2022	$1,400,000
Pebble partnering process	Ongoing discussions and possible negotiations to secure a project partner(s) with the financial resources to advance development of the Pebble project. Management will continue to seek suitable partner(s) with the objective to maximize shareholder value through 2021.	2021/2022 [2]	$1,000,000

Milestone/Business Objective	Business Activity within Next 12 Months	Timeframe for Completion [1]	Anticipated Budget during Next 12 Months
General corporate purposes, including appeal of the ROD by the USACE on Pebble, defence of Class Action Lawsuits, settlement of historical liabilities, handling of grand jury investigation	Pursue successful appeal of the ROD	Ongoing through 2021, February 2022	$6,400,000

Notes

1. Due to the COVID-19 pandemic, some due diligence activities that a partner may usually undertake such as site visits have been slower than anticipated.
2. There is no assurance that these discussions or possible negotiations will result in any binding agreement with any partner for the development of the Pebble Project. See 1.15.5 *Risk Factors*.

The Company's actual plan of operations and expenditures for 2021 may vary depending on future developments and at the discretion of the Company's board of directors and management.

The Company will require additional financing beyond its current cash and working capital in order to carry out these further business activities. The Company believes that its ability to obtain additional financing has been and will continue to be negatively impacted by the Record of Decision and its ability to successfully appeal the ROD. The Company does not have any arrangement in place for any future financing, and there is no assurance that the Company will be able to achieve the required additional financing when required. In addition, the Company cautions that while a successful appeal of the ROD will reduce one of the significant risk factors faced by the Pebble Project, significant risk factors will remain for the development of the Pebble Project, as described in 1.15.5 *Risk Factors*.

In the event that appeal of the ROD is unsuccessful, the Company will be required to re-assess its options for advancing the development of the Pebble Project. These options may include a re-assessment of the scope of the Pebble Project and the submission of a revised permit application. While the Company is unable to assess the full impact of any adverse appellate result of the ROD at this time, the Company anticipates that such a negative result on appeal of the ROD will have a negative impact on the Company's ability to achieve additional financing, and will most likely limit the Company's financing options to further issuances of the Company's equity securities.

The Company may also attempt to reduce the amount of additional financing required by entering into a potential joint venture or other partnership arrangement for advancement of the Pebble Project. The Company is continuing to evaluate the availability of long-term project financing options among mining companies, private equity firms and others, utilizing conventional asset level financing, debt, royalty and alternative financing options. There is no assurance that Northern Dynasty will be able to partner the Pebble Project or secure additional financing when required.

To the extent that Northern Dynasty is unable to raise additional financing, it will have to curtail its operational activities, which will ultimately delay advancement of the Pebble Project.

Northern Dynasty's inability to successfully appeal the ROD may ultimately mean that it will be unable to proceed with the development of the Pebble Project as currently envisioned or at all.

1.6 Liquidity

The Company's major sources of funding have been the issuance of equity securities for cash, primarily through private placements and prospectus offerings to sophisticated investors and institutions, and proceeds 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.

As at December 31, 2020, the Company had cash and cash equivalents of $42.5 million, which is an increase of $28.4 million from December 31, 2019. In 2020, the Company raised gross proceeds of approximately $82.6 million from financings (see 1.2.3 *Financings*). The Company employed $57.8 million in its operating activities in the year ended December 31, 2020 and repaid $2.5 million of funds drawn from the unsecured non-revolving term credit facility agreement that it had entered into with certain parties including two related parties, in November 2019. The Company has prioritized the allocation of its available financial resources to meet key corporate and Pebble Project expenditure requirements in the near term, being the next 12 months, as outlined above under 1.5.3 *Plan of Operations*). 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, 2020, the Company had a working capital of $36.5 million as compared to a working capital deficiency of $0.2 million at December 31, 2019. The Company has no lease or any other long-term obligations other than those disclosed below:

The following commitments and payables (expressed in *thousands)* existed at December 31, 2020:

	Payments due by period as of the reporting date			
	Total	≤ 1 year	1-5 years	> 5 years
Trade and other payables [1]	**$ 6,304**	$ 6,304	$ –	$ –
Payables to related parties	**848**	848	–	–
Lease commitments [2]	**1,204**	337	604	263
Other commitments [3]	**355**	355	–	–
Total	**$ 8,711**	$ 7,844	$ 604	$ 263

Notes to table

1. Includes legal fees due to legal counsel of US$2,578, accrued interest thereon of US$83, and US$635 payable on completion of a partnering transaction.
2. Relates to the undiscounted lease payments to be made by the Company over the remaining lease terms.
3. The Company has a remaining commitment of US$279 to fund improvements to camp facilities.
4. US dollar amounts have been converted at the closing rate on December 31, 2020, of $1.2736/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 payment of annual toll payments and fees pursuant to the right of way agreements (see *Right-of-Way Agreements* under Section 1.2.1.1 Project Background and Status). In addition, the Company has payments relating to routine site and office leases, which is included in the 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, 2020, 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, 2020, 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, Board Chair and Chief Executive Officer ("**CEO**"), respectively, are active members of the HDI Board of Directors. Mark Peters, the Company's Chief Financial Officer ("**CFO**"), is also the CFO of HDSI. Other key management personnel of the Company – Adam Chodos, Stephen Hodgson[3], Bruce Jenkins, Sean Magee, Trevor Thomas and Mike Westerlund – 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.

[3] Stephen Hodgson until recently was employed though a subsidiary of HDSI, Hunter Dickinson Servicepay (US) Inc., and provided services to the Pebble Partnership as Senior Vice President, Engineering & Project Director.

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

Ongoing contractual or other commitments resulting from the related party relationship

Other than noted below, 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.

In an addendum to the Services Agreement between HDSI and the Company, dated October 10, 2015, following a change of control, the Company is subject to termination payments if the Services Agreement is terminated. The Company will be required to pay HDSI $2.8 million, and an aggregate amount equal to six months of annual salaries payable to certain individual service providers under the Services Agreement and their respective employment agreements with HDSI.

The Company has an office use agreement with HDSI whereby the Company rents a specified office from HDSI for its sole use.

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

Disclosure as to transactions with HDSI and any amounts due to or from HDSI is provided in Note 9 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 9 in the notes to the Financial Statements which accompany this MD&A and which are available under the Company's profile at www.sedar.com.

1.10 Fourth Quarter

Discussed in Section *1.5.1 Results of Operations – Three months and Year ended December 31, 2020 versus 2019*

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 Company 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, 2020. Amounts receivable include receivable balances with government agencies, prepaid expenses and refundable deposits. Management has 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: Group entities, 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 as the Company's functional and presentation currency is the Canadian dollar. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

There has been no change in the Company's objectives and policies for managing this risk, except for the changes in the carrying amounts of the financial assets exposed to foreign exchange risk. The Company's exposure to foreign exchange risk is as follows:

US dollar denominated financial assets and liabilities (in Canadian Dollars)	December 31 2020	December 31 2019
Financial assets:		
Amounts receivable	$ 649	$ 263
Cash and cash equivalents and restricted cash	23,624	14,090
	24,273	14,353
Financial liabilities:		
Long term payables	(657)	(932)
Warrant liabilities	–	(43)
Payables to related parties	(650)	(24)
Trade and other payables	(6,170)	(12,426)
	(7,477)	(13,425)
Net financial assets exposed to foreign currency risk	$ 16,796	$ 928

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 $1,680 (2019 – $93) in the reported period. This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents. There has been no change in the Company's objectives and policies for managing this risk and no significant change to the Company's exposure to interest rate risk during the year ended December 31, 2020.

Commodity price risk

While the value of the Company's Pebble Project is related to the prices of copper, gold, molybdenum, silver and rhenium 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, silver and rhenium 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 *2020 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 30, 2021, is as follows:

	Number
Common shares issued and outstanding	512,790,198
Share options pursuant to the Company's incentive plan	25,432,500
Deferred share units	458,129
Restricted share units	–
Warrants and non-incentive plan options[1,]	17,230,198

Note to table:

1. Non-incentive plan options make up 131,600 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, prospectus financings in June 2016 and 2019, a private placement financing in July 2016 and the Credit Facility.

1.15.2 Disclosure Controls and Procedures

The Company's management, with the participation of its CEO and 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 ("ICFR")

The Company's management, including the CEO and the CFO, is responsible for establishing and maintaining adequate ICFR. ICFR is a process designed by, or under the supervision of, the CEO and CFO 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, 2020. 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. Based on their assessment, management has concluded that, as of December 31, 2020, the Company's ICFR was effective based on those criteria.

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

The Company's ICFR as of December 31, 2020, has been audited by Deloitte LLP, Independent Registered Public Accounting Firm, who also audited the Company's consolidated financial statements for the year ended December 31, 2020. Deloitte LLP, as stated in their report that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2020, expressed an unqualified opinion on the effectiveness of the Company's ICFR.

1.15.4 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.

1.15.5 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:

Northern Dynasty May be Unsuccessful in Appealing the Record of Decision and may Ultimately not be able to Obtain the Required Environmental Permits for the Pebble Project.

The USACE's ROD issued on November 25, 2020, has denied Northern Dynasty's environmental permit for development of the Pebble Project under the CWA. This environmental permit is required for Northern Dynasty to proceed with the development of the Pebble Project. While the Pebble Partnership is appealing the ROD, there is no assurance that Northern Dynasty's appeal of the ROD will be successful. Even if the appeal is successful, there is no assurance that a positive ROD will ultimately be obtained by the Pebbel Partnership or that the required environmental permit will be obtained. Northern Dynasty's inability to successfully appeal the ROD will mean that Northern Dynasty cannot proceed with the development of the Pebble Project as presently envisioned. There is no assurance that Northern Dynasty will be able to redesign the Pebble Project in a manner that addresses the "significant degradation" finding reached by the USACE or ultimately develop any compensatory mitigation plan that the USACE accepts as appropriately addressing the "significant degradation" determination or that will change the USACE's position that environmental permitting of the Pebble Project under the CWA is against the public interest. Northern Dynasty's inability to address these issues may mean that the Company is ultimately not able to secure the environmental permits that are required to develop the Pebble Project. Accordingly, there is no assurance that investors will be able to recover their investment in the Company.

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 it presents 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 potential size. Accordingly, there is no assurance that the Company will obtain the required permits. Although the Company received a denial of its CWA 404 permit from the USACE, the Company has submitted an appeal of the ROD, and should the appeal be successful, the Company will still be required to secure the full range of permits and authorizations from multiple federal and state regulatory agencies, which 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 the Company builds a mine at the Pebble Project, it will be unable to achieve revenues from operations and may not be able to sell or otherwise recover its investment in the Pebble Project, which would have a material adverse effect on the Company and an investment in the Company's common shares.

If Northern Dynasty is Unable to Defend the "Class Action" Lawsuits against it, there is No Assurance that Northern Dynasty will not be Subject to Judgements for Damages against it

Northern Dynasty is the subject of several "proposed class action" lawsuits against it that assert liability against Northern Dynasty on behalf of a purported class of shareholders under securities laws, both in Canada and in the United States. While Northern Dynasty intends to vigorously defend these claims, there is no assurance that Northern Dynasty will be successful in defending all claims made against it. Should Northern Dynasty not be successful in defending these claims, it may be subject to judgements against it and be required to pay substantial amounts in damages to the plaintiffs under these judgements. These damages could result in a material and adverse impairment to Northern Dynasty's financial condition and capital resources, and may further impair its ability to pursue the development of the Pebble Project.

In addition, Northern Dynasty is required under the terms of the indemnification agreements that it has entered into with underwriters in connection with Northern Dynasty's public financings to indemnify the underwriters for any losses that they incur. As certain of Northern Dynasty's underwriters have been named as defendants in certain of these class action lawsuits, Northern Dynasty may be required to indemnify and pay monies to the underwriters for any losses that they suffer and expenses that they incur. In addition, Northern Dynasty may be required to indemnify certain of its officers and directors for any losses that they suffer or expenses that they incur.

There is no assurance that Northern Dynasty's existing insurance policies will respond and be sufficient to cover any amounts that it may be required to pay to the plaintiffs in these class action lawsuits, or the underwriters under our indemnification obligations. We may also be required to indemnify certain of our officers and directors who have been named as party to these lawsuits. These damages could result in a material and adverse impairment to our financial condition and capital resources, and may further impair our ability to raise additional financing and pursue the development of the Pebble Project.

Grand Jury Investigation and Related Matters

The Company is cooperating with a grand jury investigation involving the United States Attorney's Office for the District of Alaska, and an SEC inquiry, as described above under 1.2.2 *Legal Matters*. The Company is not able to provide investors with guidance as to the outcome of the grand jury investigation or SEC inquiry, or whether either of them will result in any charges or other claims against the Company, the Pebble Partnership or their associated individuals. The Company does anticipate, however, that it will incur substantial expenses in connection with the grand jury and SEC matters, including legal fees and expenses related to the collection, review, and production of documents, among other things. Any adverse civil or criminal proceedings could have a material adverse impact on Northern Dynasty's prospects and ability to advance development of the Pebble Mine project.

In addition, Northern Dynasty and the Pebble Partnership may face ongoing and further inquiries, demands or allegations concerning future plans for the Pebble Project from the US Congress' House Committee on Transportation and Infrastructure. Again, any adverse civil or criminal proceedings relating to the Committee's investigation could have a material adverse impact on Northern Dynasty's prospects and ability to advance development of the Pebble Project. In addition, these inquiries or any possible resulting civil or criminal proceedings could erode any existing political support for the Pebble Project, which may reduce the likelihood of the Pebble Project obtaining the required environmental permitting.

The Record of Decision has had and will continue to have an Ongoing Adverse Impact on Northern Dynasty's Ability to Finance the Pebble Project.

Northern Dynasty believes that the USACE's ROD has had a material adverse impact on its ability to finance its operations and will continue to adversely impact its financing options for so long as the ROD remains outstanding. As Northern Dynasty does not have any revenues, and does not anticipate revenues in the foreseeable future, Northern Dynasty will require additional financing to continue its operations. If Northern Dynasty is unsuccessful in its appeal of the Record of Decision, Northern Dynasty's financing options may be substantially limited and it may not be able to generate the necessary financing to enable continued operations without a substantial reduction or restructuring of the Pebble Project.

Risks Associated with the Novel Coronavirus ("COVID-19")

The current outbreak of COVID-19, and any future emergence and spread of similar pathogens, could have a material adverse effect on global and local economic and business conditions, which may adversely impact Northern Dynasty's business and results of operations and the operations of contractors and service providers. The extent to which the COVID-19 impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning its severity and the actions taken to contain the virus or treat its impact, among others. The adverse effects on the economy, the stock market and Northern Dynasty's share price could adversely impact its ability to raise capital, with the result that our ability to pursue development of the Pebble Project could be adversely impacted, both through delays and through increased costs. Any of these developments, and others, could have a material adverse effect on the Company's business and results of operations and could delay its plans for development of the Pebble Project.

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

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 Mineral 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. Accordingly, the Pebble Project must be considered an exploration prospect only. Extensive additional work is required before Northern Dynasty or the Pebble Partnership can ascertain if any mineralization may be economic and hence constitute "ore".

The current mine plan that is included in the Project Description for the development of the Pebble Project is not supported by any preliminary economic assessment or any preliminary or final feasibility study. Accordingly, even if permitting is achieved, there is a substantial risk that the Company will not be able to proceed with the development of the Pebble Project and shareholders may not be able to recover their investment in the Company.

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 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. Further, "inferred resources" have a great amount of uncertainty as to their economic and legal feasibility. Under Canadian securities law, estimates of "inferred mineral resources" cannot form the basis of feasibility or prefeasibility studies, or any economic study except a Preliminary Economic Assessment as prescribed under NI 43-101..

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.

The mineral resource estimates contained herein have not been adjusted for any risk that the required environmental permits may not be obtained for the Pebble Project. The risk associated with the ability of the Pebble Project to obtain required environmental permits is a risk to the reasonable prospects for eventual economic extraction of the mineralisation and their definition as a mineral resource.

There Is No Assurance That Northern Dynasty Will Be Able To Partner The Pebble Project.

One of Northern Dynasty's business objectives is to enter into a joint venture or other partnership arrangement with a third-party partner to fund the advancement of the development of the Pebble Project. There is no assurance that Northern Dynasty will be able to enter into an arrangement with a partner for the development of the Pebble Project. To the extent that Northern Dynasty does not enter into any agreement to partner the Pebble Project, it will continue to be required to fund all exploration and other related expenses for advancement of the Pebble Project.

Negative Operating Cash Flow

The Company currently has a negative operating cash flow and anticipates that it will continue to do so 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 additional 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, 2020, the Company had a working capital of $36.5 million. Northern Dynasty has prioritized the allocation of its financial resources to meet key corporate and Pebble Project expenditure requirements in the near term, including the funding of the appeal of the ROD. Additional financing will be required to progress any material expenditures at the Pebble Project and for working capital. 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*.

Northern Dynasty Has A History of Negative Cash Flow from Operations Which Is Anticipated To Continue For the Foreseeable Future

Northern Dynasty experiences negative cash flow from operations and anticipates incurring negative cash flow from operations for 2020 and beyond as a result of the fact that it does not have revenues from mining or any other activities. In addition, as a result of Northern Dynasty's business plans for the development of the Pebble Project, Northern Dynasty expects cash flow from operations to continue to be negative until revenues from production at the Pebble Project begin to offset operating expenditures, of which there is no assurance. Accordingly, Northern Dynasty's cash flow from operations will be negative for the foreseeable future as a result of expenses to be incurred s in connection with advancement of the Pebble Project.

As the Pebble Project is Northern Dynasty's only Mineral Property Interest, any 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, Silver And Rhenium 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, silver and rhenium 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, silver and rhenium 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, silver and rhenuim have fluctuated in recent years, and future significant price declines could cause investors to be unprepared to finance exploration of copper, gold, molybdenum, silver and rhenium, with the result that Northern Dynasty may not have sufficient financing with which to fund its activities related to the advancement of the Pebble Project.

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 the Company's control. Obtaining environmental permits may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. There can be no assurance that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed those that the Company previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that the Company would not proceed with the development or operation of a mine at the Pebble Project.

Litigation

The Company is, 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 an 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 they 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 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 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 previously estimated. It is possible that the costs and delays associated with the loss of services of key personnel could become such that the Company 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 and Expose Northern Dynasty to the Risk of Litigation.

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.

The Volatility of Northern Dynasty's Common Shares Can Expose Northern Dynasty to the Risk of Litigation.

Northern Dynasty's common shares are listed on the TSX and NYSE American. Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved (see previous risk). These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. The price of Northern Dynasty's common shares is also likely to be significantly affected by short-term changes in copper, gold, molybdenum, silver and rhenium prices or in Northern Dynasty's financial condition or results of operations as reflected in quarterly earnings reports.

As a result of any of these factors, the market price of Northern Dynasty's common shares at any given point in time may not accurately reflect their long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Northern Dynasty is, and may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

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. If we are unable to raise the necessary capital resources, we may at some point have to reduce or curtail our operations, which would have a material adverse effect on our ability to pursue the permitting and development of the Pebble Project.