Northern Dynasty Minerals Ltd.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(Expressed in thousands of Canadian Dollars)

(Unaudited)

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in thousands of Canadian Dollars)

	Notes		**June 30 2021**		December 31 2020
ASSETS					
Non-current assets					
Restricted Cash	5(b)	$	770	$	791
Mineral property, plant and equipment	3		131,631		135,646
Total non-current assets			132,401		136,437
Current assets					
Amounts receivable and prepaid expenses	4		829		1,477
Cash and cash equivalents	5(a)		37,076		42,460
Total current assets			37,905		43,937
Total Assets		**$**	**170,306**	**$**	**180,374**
EQUITY					
Capital and reserves					
Share capital	6	$	698,022	$	683,039
Reserves	6		104,482		109,245
Deficit			(638,721)		(619,978)
Total equity			163,783		172,306
LIABILITIES					
Non-current liabilities					
Trade and other payables	10		402		657
Total non-current liabilities			402		657
Current liabilities					
Payables to related parties	9		441		848
Trade and other payables	10		5,680		6,563
Total current liabilities			6,121		7,411
Total liabilities			6,523		8,068
Total Equity and Liabilities		**$**	**170,306**	**$**	**180,374**

Nature and continuance of operations (note 1)
Commitments and contingencies (note 15)

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

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

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Christian Milau

Christian Milau
Director

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

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

		Three months ended June 30		Six months ended June 30	
	Notes	**2021**	2020	**2021**	2020
Expenses					
Exploration and evaluation expenses	11, 12	$ 3,345	$ 10,332	$ 6,631	$ 17,566
General and administrative expenses	11, 12	2,480	2,727	4,942	5,134
Legal, accounting and audit		1,916	638	4,203	1,625
Share-based compensation	6(d)	1,286	615	2,608	1,062
Loss from operating activities		9,027	14,312	18,384	25,387
Foreign exchange loss (gain)		247	(95)	444	(428)
Interest income		(43)	(17)	(85)	(59)
Finance expense		10	28	32	67
Other income		(1)	–	(16)	–
Gain on modification of lease		(16)	–	(16)	–
Loss on revaluation of warrant liabilities	7	–	228	–	204
Net Loss		**$ 9,224**	$ 14,456	**$ 18,743**	$ 25,171
Other comprehensive loss (income)					
Items that may be subsequently reclassified to net loss					
Foreign exchange translation difference	6(f)	1,803	4,949	3,617	(5,824)
Other comprehensive loss (income)		**$ 1,803**	$ 4,949	**$ 3,617**	$ (5,824)
Total comprehensive loss		**$ 11,027**	$ 19,405	**$ 22,360**	$ 19,347
Basic and diluted loss per share	13	$ 0.02	$ 0.03	$ 0.04	$ 0.06

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

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in thousands of Canadian Dollars)

		Six months ended June 30	
	Notes	**2021**	2020
Operating activities			
Net loss		$ (18,743)	$ (25,171)
Non-cash or non operating items			
Depreciation	3	181	300
Gain on modification of lease		(16)	–
Interest on credit facility loans	8	–	9
Interest income		(85)	(59)
Loss on revaluation of warrant liabilities	7	–	204
Share-based compensation		2,608	1,062
Unrealized exchange loss		210	(27)
Changes in working capital items			
Amounts receivable and prepaid expenses		887	391
Trade and other payables		(661)	339
Amounts receivable from related parties		–	(18)
Payables to related parties		(406)	151
Net cash used in operating activities		(16,025)	(22,819)
Investing activities			
Interest received on cash and cash equivalents		70	48
Net cash from investing activities		70	48
Financing activities			
Proceeds from issuance of shares	6(b)	–	10,063
Transaction costs on issuances of shares		–	(955)
Proceeds from private placement of shares	6(b)	–	13,259
Transaction costs for the private placement of shares	6(b)	–	(105)
Proceeds from the exercise of share purchase options and warrants	6(c)-(d)	11,008	3,859
Early lease termination payment		(31)	–
Payments of principal portion of lease liabilities		(132)	(171)
Repayment of credit facility loans and interest	8	–	(2,523)
Net cash from financing activities		10,845	23,427
Net (decrease) increase in cash and cash equivalents		(5,110)	656
Effect of exchange rate fluctuations on cash and cash equivalents		(274)	57
Cash and cash equivalents - beginning balance		42,460	14,038
Cash and cash equivalents - ending balance	5(a)	**$ 37,076**	**$ 14,751**

Supplementary cash flow information (note 5(a))

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

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

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

	Notes	Share capital		Reserves						
		Number of shares (note 6(a))	Amount	Equity - settled share-based compensation reserve	Foreign currency translation reserve (note 6(f))	Investment revaluation reserve	Share Purchase Warrants (note 6(c))	Subscriptions received for shares (note 6(b))	Deficit	Total equity
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)	1,550,900	1,255	–	–	–	–	–		1,255
Shares issued upon exercise of warrants and options not issued per option plan	6(c)	4,804,393	2,862	–	–	–	–	–	–	2,862
Fair value allocated to shares issued on exercise of options and warrants		–	1,531	(799)	–	–	(732)	–	–	–
Fair value allocated to shares issued on exercise of broker warrants		–	247	–	–	–	–	–	–	247
Reclass of fair value on exercise of warrants		–	(733)	–	–	–	733	–	–	–
Shares issued, net of transactions costs	6(b)	14,375,000	9,120	–	–	–	–	–	–	9,120
Shares issued pursuant to private placements, net of transaction costs	6(b)	24,045,966	13,847	–	–	–	–	(693)	–	13,154
Additional transaction costs for prior year financings		–	(12)	–	–	–	–	–	–	(12)
Share-based compensation	6(d)	–	–	1,062	–	–	–	–	–	1,062
Net loss		–	–	–	–	–	–		(25,171)	(25,171)
Other comprehensive income net of tax		–	–	–	5,824	–	–	–	–	5,824
Total comprehensive loss		–	–	–	–	–	–	–	–	(19,347)
Balance at June 30, 2020		**467,718,939**	**$ 615,565**	**$ 70,413**	**$ 38,189**	**$ (17)**	**$ 3,973**	**$ –**	**$ (581,277)**	**$ 146,846**
Balance at January 1, 2021		509,046,631	$ 683,039	$ 77,018	$ 29,661	$ (17)	$ 2,583	$ –	$ (619,978)	$ 172,306
Shares issued upon exercise of options per option plan	6(d)	3,639,000	1,884	–	–	–	–	–	–	1,884
Shares issued upon exercise of warrants and options not issued per option plan	6(c)	14,398,352	9,345	–	–	–	–	–	–	9,345
Fair value allocated to shares issued on exercise of options and warrants		–	3,754	(1,451)	–	–	(2,303)	–	–	–
Share-based compensation	6(d)	–	–	2,608	–	–	–	–	–	2,608
Net loss		–	–	–	–	–	–		(18,743)	(18,743)
Other comprehensive loss net of tax		–	–	–	(3,617)	–	–	–	–	(3,617)
Total comprehensive loss		–	–	–	–	–	–	–	–	(22,360)
Balance at June 30, 2021		**527,083,983**	**$ 698,022**	**$ 78,175**	**$ 26,044**	**$ (17)**	**$ 280**	**$ –**	**$ (638,721)**	**$ 163,783**

The accompanying notes are an integral part of these condensed consolidated interim 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, 14th floor, Vancouver, British Columbia.

The condensed consolidated interim financial statements ("Financial Statements") of the Company as at and for the three and six months ended June 30, 2021, 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 denoted US$ and 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 six months ended June 30, 2021, the Company received cash proceeds of $11,008 from the exercise of share purchase options and warrants (notes 6(a), (c), and (d)).

As of June 30, 2021, the Group had $37,076 (December 31, 2020 – $42,460) in cash and cash equivalents for its operating requirements and working capital of $31,784 (December 31, 2020 – $36,526). 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 three and six months ended June 30, 2021, and 2020, the Group incurred a net loss of $18,743 and $25,171, respectively, and had a deficit of $638,721 as of June 30, 2021. 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) and class action litigation (note 14(a)). 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. The Group entered into an At-the-Market Offering Agreement in June 2021, whereby the Group will be entitled at its sole discretion, to sell through the agent, up to US$14.5 million in common shares during the term of the At-the-Market Offering Agreement (note 6(b)). 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". The USACE has indicated that due to the complexity of issues and volume of materials associated with the Pebble Project case, the appeal process will likely take additional time to conclude beyond the federal guidelines of 90 days. On June 1, 2021, the Group announced that the USACE had completed the 'administrative record' which will serves as a basis for its official review of the ROD and that the USACE will be naming a new Review Officer ("RO") to lead the review process. The Group was informed in August 2021, that a RO had been appointed.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"s). They do not include all of the information required by IFRS for complete annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended December 31, 2020 ("2020 annual financial statements").

These Financial Statements were authorized for issue by the Audit and Risk Committee on August 12, 2021.

(b) Use of Judgments and Estimates

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

There was no change in the use of significant estimates and judgments during the current period as compared to those described in Note 2 in the 2020 annual financial statements, other than as follows:

Critical accounting judgments

Mineral Property Interest

The Group used judgement in concluding that no impairment indicators exist in relation to the Pebble Project, notwithstanding the receipt of the ROD denial of the permit for the Pebble Project, which would be considered an indicator under IFRS 6, *Exploration for and Evaluation of Mineral Resources*, for testing for impairment. Key to the Group's judgement conclusion is that it has submitted an administrative appeal with the USACE, which has been accepted as complete and which is currently running its course, the Group will be pursuing other options available to it, and that as at June 30, 2021, 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.

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

Going Concern

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 are able to meet key corporate and Pebble Project expenditure requirements for at least the next twelve months (note 1).

(c) Recent Accounting Pronouncements

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. The Group has determined that there should be no impact on the Group's financial statements on adoption of these amendments.

3. MINERAL PROPERTY, PLANT AND EQUIPMENT

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

Six months ended June 30, 2021	Mineral Property interest [1]	Plant and equipment [2]	Total
Cost			
Balance December 31, 2020	$ 112,541	$ 3,018	$ 115,559
Disposal [2]	–	(21)	(21)
Modification to lease terms		(237)	(237)
Ending balance	112,541	2,760	115,301
Accumulated depreciation			
Balance December 31, 2020	–	(2,148)	(2,148)
Depreciation charge for the period [3]	–	(181)	(181)
Derecognition on disposal [2]	–	17	17
Ending balance	–	(2,312)	(2,312)
Foreign currency translation difference			
Balance December 31, 2020	22,083	152	22,235
Movement for period	(3,571)	(22)	(3,593)
Ending balance	18,512	130	18,642
Net carrying value – December 31, 2020	$ 134,624	$ 1,022	$ 135,646
Net carrying value – June 30, 2021	$ 131,053	$ 578	$ 131,631

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

Notes to table:

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

2. Includes Right-of-use assets ("ROU Assets"), which relate to the use of office space, a copier, hangers, yard storage and one vehicle, which was disposed of in February 2021. The following comprises ROU Assets:

Six months ended June 30, 2021		**Land and Buildings**		**Equipment**		**Total**
Cost						
Balance December 31, 2020	$	1,591	$	53	$	1,644
Modification to lease terms during the period		(237)		–		(237)
Disposal during period		–		(21)		(21)
Ending balance		1,354		32		1,386
Accumulated depreciation						
Balance December 31, 2020		(723)		(26)		(749)
Depreciation charge for the period [4]		(128)		(6)		(134)
Derecognition on disposal		–		17		17
Ending balance		(851)		(15)		(866)
Foreign currency translation difference						
Balance December 31, 2020		(69)		(1)		(70)
Movement for period		(18)		(1)		(19)
Ending balance		(87)		(2)		(89)
Net carrying value – December 31, 2020	$	799	$	26	$	825
Net carrying value – June 30, 2021	$	416	$	15	$	431

3. For the three months ended June 30, 2021, depreciation was $91 (2020 – $141). For the six months ended June 30, 2020, depreciation was $300.

4. For the three months ended June 30, 2021, ROU Asset depreciation was $68 (2020 – $85). For the six months ended June 30, 2020, ROU Asset depreciation was $191. ROU Asset depreciation of $58 (2020 – $61) and $113 (2020 – $119) is included in general and administrative expenses for the three and six months ended June 30, 2021, respectively. The remainder is included in exploration and evaluation expenses.

4. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

		June 30 2021		December 31 2020
Sales tax receivable	$	114	$	67
Interest, refundable deposits and other receivables		363		587
Prepaid expenses		352		823
Total	$	829	$	1,477

5. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

The Group's cash and cash equivalents at June 30, 2021 and December 31, 2020, consisted of cash on hand and was invested in business and savings accounts.

Supplementary cash flow information

Non-cash investing and financing activities:

As at June 30, 2021, the cheque proceeds for the issuance of 450,000 (2020 – 345,180) common shares amounting to $221 (2020 – $258) was deposited subsequent to June 30, 2021.

(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 three and six months ended June 30, 2021, nominal income was recognized (2020 – nominal income and $2 respectively), which has been re-invested.

6. CAPITAL AND RESERVES

(a) Authorized Share Capital

At June 30, 2021 and 2020, authorized share capital comprised of an unlimited number of common shares ("shares") with no par value. At June 30, 2021, 527,083,983 (2020 – 467,718,939) shares were issued and fully paid. Proceeds for 450,000 (2020 – 345,180) of the issued shares were deposited after the reporting period (note 5(a)).

(b) Financings

June 2020

At-The-Market Offering

In June 2021, the Group entered into an At-the-Market Offering Agreement (the "ATM Agreement") with H.C. Wainwright & Co. (the "Agent"). Under the ATM Agreement, the Group will be entitled, at its discretion and from time-to-time during the term of the ATM Agreement, to sell, through the Agent, as sales agent, shares of the Company having an aggregate gross sales price of up to US$14.5 million (the "ATM Facility"). Sales of the shares will be made directly on the NYSE American or on any other existing trading market in the US. No offers or sales of shares will be made in Canada, on the TSX, or other trading markets in Canada.

The Group will determine, at its sole discretion, the date, price and number of shares to be sold under the ATM Facility. The shares will be distributed at market prices or prices related to prevailing market prices from time to time. The Group is not required to sell any shares at any time during the term of the ATM Facility, and there are no fees for having established the ATM Facility. The ATM Agreement does not restrict the Group from conducting other financings. As at June 30, 2021, the Group has not issued any shares under the ATM Facility.

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

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 common 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 13,688,823 shares for gross proceeds of approximately $6,708 (US$5,065). The Group received $699 of the proceeds in December 2019 and the remainder of the proceeds of $6,009 in January 2020. After transaction costs of $95 (of which $6 was incurred in 2019), net proceeds to the Group were $6,613 (of which $693 was recognized in December 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 six months ended June 30, 2021 and 2020 respectively:

Continuity	**Cannon Point options** [1]	**Mission Gold warrants** [1]	**Other warrants** [2]	**Broker warrants** [3]	**Total**
Balance January 1, 2020	223,250	3,764,626	27,541,065	244,000	31,772,941
Exercised	(11,750)	(2,385,943)	(2,162,700)	(244,000)	(4,804,393)
Balance June 30, 2020	211,500	1,378,683	25,378,365	–	26,968,548
Exercised	–	(1,164,892)	(7,665,100)	–	(8,829,992)
Expired	–	(213,791)	–	–	(213,791)
Balance December 31, 2020	211,500	–	17,713,265	–	17,924,765
Exercised	(79,900)	–	(14,318,452)	–	(14,398,352)
Expired	–	–	(3,194,814)	–	(3,194,814)
Balance June 30, 2021	131,600	–	199,999	–	331,599

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

	Weighted averages per option/warrant		
	Cannon Point options	Other warrants	Total
June 30, 2021			
Exercise price	$ 0.36	$ 0.75	$ 0.60
Remaining life in years	1.74	0.42	0.95
December 31, 2020			
Exercise price	$ 0.37	$ 0.65	$ 0.65
Remaining life in years	1.46	0.45	0.46

Notes to tables:

1. The Group issued options and warrants in exchange for those that 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. The Mission Gold warrants had an exercise price of $0.55 per warrant.

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 (the "Credit Facility"). As at June 30, 2021, the balance relates to the Credit Facility issuance (note 8).
3. The Broker Warrants were issued to the underwriters pursuant to the June 2019 prospectus financing and had an exercise price of US$0.41 per warrant.

(d) Share Purchase Option Compensation Plan

The following reconciles the Group's share purchase options ("options") issued and outstanding pursuant to the Group's incentive plan for the six months ended June 30, 2021 and 2020:

Continuity of options	Number of options	Weighted average exercise price ($/option)
Balance January 1, 2020	25,752,266	0.96
Forfeited	(6,000)	0.99
Cancelled	(16,000)	0.85
Exercised	(1,550,900)	0.81
Balance June 30, 2020	24,179,366	0.97
Cancelled	(6,000)	1.16
Exercised	(2,440,166)	0.99
Expired	(24,200)	1.75
Forfeited	(10,500)	1.36
Granted	6,783,000	2.01
Balance December 31, 2020	28,481,500	1.20
Exercised	(3,639,000)	0.52
Balance June 30, 2021	24,842,500	1.30

For the three and six months ended June 30, 2021, the Group recognized share-based compensation ("SBC") of $1,286 (2020 – $615) and $2,608 (2020 – $1,062) respectively, for options. The following table summarizes information on options outstanding as at the reported dates:

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

	June 30, 2021			December 31, 2020		
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
0.49	2,840,000	2,840,000	0.03	4,455,000	4,455,000	0.53
0.50	–	–	–	1,520,000	1,520,000	0.12
0.76	4,477,000	4,477,000	1.58	4,761,000	4,761,000	2.08
0.99	6,368,500	6,368,500	3.25	6,388,500	6,388,500	3.74
1.75	4,386,000	4,386,000	1.07	4,386,000	4,386,000	1.57
2.01	6,696,000	3,348,000	4.05	6,696,000	3,348,000	4.55
2.34	75,000	75,000	2.08	75,000	75,000	2.58
Total	24,842,500	21,494,500		28,481,500	25,133,500	

The weighted average contractual life for options outstanding as at June 30, 2021, was 2.41 (December 31, 2020 – 2.59) years per option. The weighted average exercise price and contractual life for exercisable options as at June 30, 2021, was $1.19 and 2.15 years (December 31, 2020 – $1.10 and 2.33 years) per option.

Subsequent to the reporting period, of the 2,840,000 options with the exercise price of $0.49 that were outstanding, 1,445,000 options were exercised for proceeds to the Group of $708, and 1,395,000 options expired unexercised on July 11, 2021.

Details of options exercised were as follows:

Six months ended June 30, 2021 Month	Number of options	Weighted average exercise price ($/option)	Weighted average market share price on exercise ($/option)
January 2021	405,000	0.50	0.82
February 2021	2,494,000	0.53	0.89
March 2021	150,000	0.48	0.89
June 2021	590,000	0.49	0.64
Total	3,639,000	0.52	0.84

Six months ended June 30, 2020 Month	Number of options	Weighted average exercise price ($/option)	Weighted average market share price on exercise ($/option)
January 2020	388,000	0.71	1.33
June 2021	1,162,900	0.84	1.82
Total	1,550,900	0.81	1.69

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

(e) Deferred Share Units ("DSUs")

As at June 30, 2021 and December 31, 2020, a total of 458,129 DSUs were issued and outstanding, respectively. There have been no new grants of DSUs since 2017.

(f) Foreign Currency Translation Reserve

Continuity		
Balance January 1, 2020	$	32,365
Gain on translation of foreign subsidiaries		5,824
Balance June 30, 2020		38,189
Loss on translation of foreign subsidiaries		(8,528)
Balance December 31, 2020		29,661
Loss on translation of foreign subsidiaries		(3,617)
Balance June 30, 2021	$	26,044

7. WARRANT LIABILITIES

The Group issued warrants with a US dollar exercise price to the underwriters pursuant to the June 2019 prospectus financing, which were treated as cash-settled warrant liabilities. Accordingly, they were recognized at fair value on date of issue as a financing cost with subsequent changes in fair value being recognized in loss. For the six months ended June 30, 2020, the Group recognized a loss of $204 on the revaluation of the warrant liabilities. The warrants were fully exercised in the year ended December 31, 2020.

8. LOANS PAYABLE

In November 2019 and January 2020, the Group received $2,317 and $183 in loans respectively, pursuant to 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. The loans earned interest at 10% per annum, payable on repayment of the loans. In January 2020 and February 2020, the loans including accrued interest to the date of repayment, were repaid to the Lenders. For the three and six months ended June 30, 2020, finance expenses included interest paid of $nil and $9 respectively, of which $nil and $5 respectively, was paid to the two related parties.

As consideration for entering into the Credit Facility, the Group issued to the Lenders, on a pro rata basis, 466,666 share purchase warrants, of which 153,333 warrants were issued to the two related parties, each warrant exercisable for one share at the exercise price of $0.75 per share until December 2, 2021. At June 30, 2021, 199,999 (December 31, 2020 – 266,666) warrants were outstanding and are included in other warrants (note6(c)).

(Unaudited - 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		June 30 2021		December 31 2020
Key management personnel ("KMP")(a)	$	69	$	34
Hunter Dickinson Services Inc. (b)		372		814
Total payables to related parties	$	441	$	848

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*

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 Interim PLP CEO and Chair of Pebble Mines Corp ("PMC Chair"), Executive VP ("EVP"), Public Affairs, Senior VP ("SVP"), Corporate Affairs, SVP Engineering, VP, Permitting, and Chief of Staff (until February 19, 2021), was as follows for the three and six months ended June 30, 2021 and 2020:

	Three months				Six months			
Transaction		**2021**		2020		**2021**		2020
Compensation								
Amounts paid and payable to HDSI for services of KMP employed by HDSI [1]	$	767	$	593	$	1,515	$	1,207
Amounts paid and payable to KMP [2]		642		1,246		1,702		2,463
Bonuses paid to KMP [3]		–		269		–		533
Interest payable on loans received from KMP [4]		–		–		–		5
		1,409		2,108		3,217		4,208
Share-based compensation [5]		838		298		1,685		595
Total compensation	$	2,247	$	2,406	$	4,902	$	4,803

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 and PMC Chair, PLP EVP, SVPs, VP and Chief of Staff. The SVP Engineering was employed by the Group through a wholly-owned US subsidiary of HDSI ("HDUS") until the end of February 2021. The Group reimbursed HDUS for costs incurred.

3. In 2020, incentive bonuses were paid to the PLP CEO, SVP, Corporate Affairs and Chief of Staff.

4. In January 2020, the Group repaid loans totalling $1,150 advanced by the Group's Board Chair and CEO pursuant to the Credit Facility (note 8). $9 in interest was paid on the loans of which $5 was accrued in January 2020. The following reconciles loans repaid:

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

Total loans including interest payable at January 1, 2020	$	971
Additional loans provided		183
Interest accrued		5
Loans repaid		(1,159)
Balance June 30, 2020	$	–

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

Options Exercised

During the six months ended June 30, 2021, KMP exercised 2,294,000 (2020 – 865,000) options and non-plan options at a weighted average exercise price of $0.49 (2020 – $0.49) per option, and a weighted average market price on exercise of $0.83 (2020 – $1.69) per option for proceeds to the Group of $1,132 (2020 – $424).

(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 three and six months ended June 30, 2021 and 2020, transactions with HDSI were as follows:

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

	Three months		Six months	
Transactions	**2021**	2020	**2021**	2020
Services rendered by HDSI:				
Technical [1]				
Engineering	$ 173	$ 232	$ 403	$ 466
Environmental	108	40	212	135
Socioeconomic	102	130	224	221
Other technical services	54	17	81	49
	437	419	920	871
General and administrative				
Management, consulting, corporate communications, secretarial, financial and administration	785	581	1,517	1,120
Shareholder communication	184	144	374	312
	969	725	1,891	1,432
Total for services rendered	1,406	1,144	2,811	2,303
Reimbursement of third party expenses				
Conferences and travel	8	25	18	101
Insurance	–	2	68	53
Office supplies and information technology [2]	132	110	238	220
Total reimbursed	140	137	324	374
Total	$ 1,546	$ 1,281	$ 3,135	$ 2,677

Notes to table

1. Included in exploration and evaluation expenses.

2. Includes payments made for the use of offices and shared space of $36 (2020 - $2) and $37 (2020 - $3) for the three and six months respectively. In April 2021, the Company signed an office use agreement effective May 1, 2021, for a five-year term ending April 29, 2026, for a total undiscounted commitment of $479 (note 15).

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.

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

10. TRADE AND OTHER PAYABLES

Current liabilities		June 30 2021		December 31 2020
Falling due within the year				
Trade [1]	$	5,607	$	6,304
Lease liabilities [2]		73		259
Total	$	5,680	$	6,563
Non-current liabilities				
Lease liabilities [2]	$	402	$	657
Total	$	402	$	657

Notes to table:

1. At June 30, 2021, current trade liabilities includes fees due to legal counsel of US$1,289 (December 31, 2020 – US$2,578), payable on July 1, 2021, 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 June 30, 2021, US$64 in accrued interest is included in trade liabilities.

2. Lease liabilities relate to lease of offices, a copier and yard storage, which have remaining lease terms of 2 to 107 months and interest rates of 9.5% – 12% over the term of the leases. During the three and six months ended June 30, 2021, the Group recognized $10 (2020 – $28) and $32 (2020 – $58) respectively, in interest expense on lease liabilities. The following is summarizes lease liabilities for the reporting periods indicated:

Lease liabilities		June 30 2021		December 31 2020
Beginning balance	$	916	$	1,220
Interest expense		32		108
Effect of modification to lease term		(284)		–
Lease payments		(164)		(402)
Lease settlement		(5)		–
Foreign currency translation difference		(20)		(10)
Ending balance		475		916
Current portion		73		259
Non-current portion		402		657
Total	$	475	$	916

The following table provides the schedule of undiscounted lease liabilities as at June 30, 2021:

		Total
Less than one year	$	114
One to five years		357
Later than 5 years		219
Total undiscounted lease liabilities	$	690

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

The Group had short-term lease commitments of less than a year relating to property leases totaling $90 as of January 1, 2021. During the three and six months ended June 30, 2021, the Group incurred short-term lease commitments relating to property leases of $147 (2020 – $196) and $147 (2020 – $258) respectively, and expensed $67 (2020 – $65) and $112 (2020 – $130) respectively.

11. EXPLORATION AND EVALUATION AND GENERAL AND ADMINISTRATIVE EXPENSES

(a) *Exploration and Evaluation Expenses ("E&E")*

For the three and six months ended June 30, 2021 and 2020, E&E consisted of the following:

E&E	Three months		Six months	
	2021	2020	**2021**	2020
Engineering	$ 1,538	$ 5,091	$ 2,647	$ 6,396
Environmental	451	2,880	1,280	5,914
Site activities	642	394	1,108	810
Socio-economic	573	1,895	1,400	4,252
Transportation	85	38	100	50
Other activities and travel	56	34	96	144
Total	**$ 3,345**	$ 10,332	**$ 6,631**	$ 17,566

(b) *General and Administrative Expenses ("G&A")*

For the three and six months ended June 30, 2021 and 2020, G&A consisted of the following:

G&A	Three months		Six months	
	2021	2020	**2021**	2020
Conference and travel	$ 29	$ 34	$ 55	$ 131
Consulting	279	461	558	766
Depreciation of right-of-use assets	58	61	113	119
Insurance	270	175	539	347
Office costs, including information technology	257	363	461	552
Management and administration	910	1,363	2,099	2,546
Shareholder communication	662	179	892	378
Trust and filing	15	91	225	295
Total	**$ 2,480**	$ 2,727	**$ 4,942**	$ 5,134

12. EMPLOYMENT COSTS

During the three and six months ended June 30, 2021, the Group recorded the following:

	Three months		Six months	
	2021	2020	**2021**	2020
Exploration and evaluation				
Salaries and benefits	$ 739	$ 1,139	$ 1,692	$ 2,727
Amounts paid for services by HDSI personnel (note 9(b))	438	260	820	552
	1,177	1,399	2,512	3,279
General and administrative				
Salaries and benefits	327	733	731	1,300
Amounts paid for services by HDSI personnel (note 9(b))	646	716	1,399	1,417
	973	1,449	2,130	2,717
Share-based payments	1,286	615	2,608	1,062
	$ 3,436	$ 3,463	$ 7,250	$ 7,058

13. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and six months ended June 30, 2021 and 2020 was based on the following:

	Three months		Six months	
	2021	2020	**2021**	2020
Loss attributable to shareholders	$ 9,224	$ 14,456	$ 18,743	$ 25,171
Weighted average number of shares outstanding (000s)	516,077	451,788	513,681	442,900

For the three and six months ended June 30, 2021 and 2020, basic and diluted loss per share does not include the effect of employee share purchase options outstanding (2021 – 24,842,500, 2020 – 24,179,366), non-employee share purchase options and warrants (2021 – 331,599, 2020 – 26,968,548) and DSUs (2021 – 458,129, 2020 – 458,129), as they were anti-dilutive.

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:

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

(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 in the table below exclude receivable balances with government agencies (note 4). The Group's maximum exposure was as follows:

Exposure		**June 30 2021**		December 31 2020
Amounts receivable	$	363	$	587
Restricted cash		770		791
Cash and cash equivalents		37,076		42,460
Total exposure	$	38,209	$	43,838

(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) and that it has been successful in the past in raising funds when needed, as demands on its cash resources may exceed existing resources. 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 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:

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

	June 30 2021	December 31 2020
Financial assets:		
Amounts receivable	$ 179	$ 649
Cash and cash equivalents and restricted cash	10,821	23,624
	11,000	24,273
Financial liabilities:		
Non-current trade payables	(402)	(657)
Current trade and other payables	(4,414)	(6,170)
Payables to related parties	(148)	(650)
	(4,964)	(7,477)
Net financial assets exposed to foreign currency risk	$ 6,036	$ 16,796

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 $604 (December 31, 2020 – $1,680) 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 $197 (2020 – $72).

(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 in 2020 (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 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 (Brooklyn) 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 *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. On March 17, 2021, the two cases were consolidated and a lead plaintiff and counsel were appointed. A consolidated and amended complaint was filed in June 2021, naming the Company's CEO and the Pebble Partnership's former CEO as defendants. The Company 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. The underwriters have asserted contractual rights of indemnification against the Company for any loss that they 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. The underwriters haves asserted contractual rights of indemnification against the Company for any loss that they 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.

Grand Jury Subpoena

On February 5, 2021, the Company announced that the Pebble Partnership and its former CEO, 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 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 SEC's San Francisco Regional Office.

Indemnification Obligations

The Company is subject to certain indemnification obligations to both present and former officers and directors, including the Pebble Partnership's former CEO, 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.

(b) Short-term Lease Commitments

As of June 30, 2021, the Group has $124 in short-term lease commitments. These leases have fixed monthly payments for the remaining term.

(c) 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.

(d) 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.

(e) Office Use Commitment

In April 2021, the Company signed an office use agreement with HDSI (note 9(b)) for a total undiscounted commitment of $479 over five years commencing May 1, 2021 and ending April 29, 2026. This commitment is a flow through cost at market rates. The following table summarizes the commitment schedule:

		Total
Less than one year	$	95
One to five years		384
Total	$	479

Northern Dynasty Minerals Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND SIX MONTHS ENDED JUNE 30, 2021

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1.1 Date

This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the unaudited consolidated interim financial statements (the "**Interim Financial Statements**") of Northern Dynasty Minerals Ltd. ("**Northern Dynasty**" or the "**Company**") for the three and six months ended June 30, 2021, and the Company's audited consolidated financial statements for the year ended December 31, 2020 ("2020 Financial Statements") and the annual MD&A for the same period, as publicly filed under the Company's profile on SEDAR at www.sedar.com.

The Company reports in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee (together, "**IFRS**"). The following disclosure and associated Interim Financial Statements are presented in accordance with IFRS. This MD&A is prepared as of August 16, 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 of the United States Army Corps of Engineers 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, the National Environmental Policy Act), 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 Record of Decision with the United States Army Corps of Engineers 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;
- our inability to ultimately obtain permitting for a mine at the Pebble Project;
- our 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, and we may be obligated to indemnify our underwriters in addition to being subject to liabilities to the plaintiffs;
- 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, a federal grand jury in Alaska and the U.S. Securities and Exchange Commission (the "**SEC**");
- 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 outstanding share purchase options and warrants to purchase the Company's common 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 for the year ended December 31, 2020, the 2020 Annual MD&A and other continuous disclosure filings that are available on SEDAR at www.sedar.com, and the Company's Annual Report on Form 40-F filed with the SEC available at www.sec.gov.

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 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 *U.S. 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.

Abbreviations commonly used in the Overview, Permitting and other sections	
CWA	Clean Water Act
EIS	Environmental Impact Statement
NEPA	National Environmental Protection Act
ROD	The Record of Decision issued by the USACE on the Pebble Project in November 2020
USACE	U.S. Army Corps of Engineers

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. Pebble has the potential to produce significant quantities of several minerals the US federal government considers to be 'critical'. Copper, in particular, is considered to be critical for green power and electrifications technologies, including EVs. Pebble also contains a globally significant resource of rhenium, which is considered strategic for its use in jet engines and related military applications and industrial applications that employ rhenium as a catalyst in the production of such things as high octane, lead-free gasoline.

The current 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

[1] David Gaunt, P.Geo., a qualified person as defined under 43-101, who is not independent of Northern Dynasty, is responsible for the mineral resource estimate, effective date August 18, 2020.

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).

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.

Further detailed information and details regarding the Pebble mineral resources are included 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 Northern Dynasty's profile at www.sedar.com.

A CWA 404 Permit Application for the Pebble Project was submitted to the USACE by the Pebble Partnership in December 2017, and the federal permitting process under the NEPA was initiated in January 2018, led by the USACE. Since that time, most of the activities of the Company, though the Pebble Partnership, have been focused on support of this process and have included ongoing technical studies, responses to requests for information, and stakeholder engagement and consultation. The work continues in 2021 as the Pebble Partnership is appealing a negative ROD by the USACE (see 1.2.1.1, *Permitting*, for more details on the process and aspects of it, including the EIS, compensatory mitigation and the appeal of the ROD).

The USACE has completed the administrative record for the appeal and provided a copy to the Pebble Partnership in June 2021. The Pebble Partnership and its legal counsel are currently reviewing the voluminous record for completeness and relevance to the USACE's permitting decision, and its sufficiency to support a fair, transparent and efficient review. Also subsequent to the quarter, the USACE informed the Pebble Partnership that a new Review Officer ("**RO**") has been appointed to lead the Pebble Project appeal. The Company expects the new RO to set a detailed timeline for the administrative appeal process, including scheduling a potential site visit and appeal conference.

During the quarter, preparations were made for the 2021 summer field program. The six-week, helicopter-supported program - focused on environmental management, sustainability and regulatory compliance - began in July. Additional field visits will occur throughout the year as required. The Company has also advanced ongoing engineering, metallurgical and other technical studies to assess the project.

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

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.

Refer to additional details in the 2021 Technical Report.

Through the Pebble Partnership, the Company maintains an active corporate presence in Alaska and Washington, D.C., to engage and consult with project stakeholders. Other activities have been directed toward raising capital to support the permitting 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 June 30, 2021, a total of $986 million (US$888 million) has been invested to advance the project.[2]

Corporate

As at June 30, 2021, the Company had $37.1 million in cash and cash equivalents and working capital of $31.8 million. The Company received approximately $9 million in proceeds from the exercise of share purchase options and warrants during the quarter.

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. In June 2021, the Company entered into an At-the-Market Offering Agreement whereby the Company will be able at its sole discretion, to sell through the agent, common shares having an aggregate gross sales price of up to US$14.5 million (the "**ATM Facility**") during the term of the ATM Facility (refer 1.2.3 *At-The-Market Offering*). The ATM Facility does not restrict the Company from conducting other financings through any 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. The Company did not issue any shares under the ATM Facility during the quarter.

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

[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 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.

the east. A number of other occurrences of copper, gold and molybdenum have also been identified along the extensive northeast-trending mineralized system that underlies the property. The potential of these earlier-stage prospects has not yet been fully explored.

Comprehensive deposit delineation, environmental, socioeconomic and engineering studies of the Pebble deposit began in 2004. A Preliminary Assessment of the Pebble Project 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 publicly released in 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), and both volumes were substantively updated since 2012. Data collected through 2019 was also provided to USACE for the Pebble EIS process. Wetlands field work was conducted in the summer of 2020 for the purpose of verifying appropriate wetlands quality/quantity for the new CMP in the Koktuli watershed.

In February 2014, the 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. A multi-dimensional strategy, including legal and other initiatives to ward off this action undertaken by Northern Dynasty and the Pebble Partnership from 2014-2017 were successful, resulting in the joint settlement agreement announced on May 12, 2017, and enabling the project to move forward with state and federal permitting. As part of the joint settlement agreement, the EPA agreed to initiate a process that led to the withdrawal of the Proposed Determination in July 2019.

On April 17, 2020, a US federal district court judge in Alaska ruled in favour of the EPA by granting a motion to dismiss a case brought by a collection of litigants opposed to the Pebble Mine that challenged the EPA's July 2019 decision to formally withdraw its prior regulatory action under Section 404(c) of the CWA. The ruling was based on a determination that the litigants had failed to state a claim upon which relief can be granted. This dismissal has been appealed to the Ninth Circuit Court of Appeals. On June 17, 2021, the Ninth Circuit Court of Appeals issued an opinion reversing in part the District Court's opinion and remanding the case to the Alaska federal court to undertake further proceedings consistent with the decision of the court of appeals. Specifically, the Court of Appeals upheld the District Court's finding that the CWA contained no meaningful legal standard for judicial review in its broad grant of discretion to the EPA, but the Court of Appeals remanded the case because it found that EPA's regulations contain a meaningful legal standard for review. The case was therefore remanded to the District Court for further proceedings to determine whether the EPA's withdrawal of the proposed determination was arbitrary, capricious or an abuse of power contrary to law.

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:

- In January 2018, the Pebble Partnership received notice from USACE that the CWA Act 404 permitting documentation was accepted and that an EIS would be required to comply with its NEPA review of the Pebble Project;
- 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, which included a 90-day public comment period. The Scoping Document was released 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.

Publication of the final Pebble EIS in July 2020 followed 2½ years of intensive review by the USACE and eight federal cooperating agencies (including the US Environmental Protection Agency and US Fish & Wildlife Service), three state 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.

A CWA 404 Permit Application was submitted in December 2017, initiating the permitting process which 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 aquatic and upland habitats. If adopted, the Koktuli Conservation Area would preserve 31,026 acres of aquatic resources within the 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 Pebble 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.

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 appointed a RO to oversee the administrative appeal process at that time and recently informed the Pebble Partnership a new RO would be identified. The appeal process will then 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.

Project Description

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

During the permitting process, a number of transportation infrastructure routes and alternatives were assessed, and the USACE determined that the northern corridor route was the most appropriate LEDPA alternative. It is the Pebble Partnership's intent to undertake the actions necessary to acquire the rights to build and operate the most appropriate transportation and infrastructure corridor to allow the development of the State's and Pebble Partnership's mineral rights.

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 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. During the NEPA process, the Pebble Partnership received a Request for Information ("**RFI**") from USACE for a description of a concept for an expanded Project. The Pebble Partnership prepared the description in response to the RFI and this response is included in the EIS Administrative Record.

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 regulatory 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 have included:

- 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. This program of engagement and consultation also includes discussions to secure stakeholder agreements to support the project's development.

Right-of-Way Agreements and Other Community Initiatives

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. 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. Transportation and other infrastructure for a mine at Pebble is expected to benefit Alaska Native village corporations, their shareholders and villages through toll payments and user fees, contracting opportunities, and improved access to lower cost power, equipment and supplies, as well as enhanced economic activity in the region.

On June 16, 2020, the Company announced the Pebble Partnership has established the Pebble Performance Dividend LLC ("**PPD LLC**") 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 PPD LLC 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.

A Memorandum of Understanding ("**MOU**") between the Pebble Partnership and APC was announced on July 6, 2020. The Alaska Peninsula Corporation ("**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.

Environmental, Social & Governance Report

In April 2021, the Company published an Environmental, Social & Governance ("**ESG**") Report for the Pebble Project which addresses the broad range of progressive principles, practices and commitments employed at Pebble by the Company and the Pebble Partnership over the past two decades to advance the project.

1.2.1.2 Technical Programs

Since the RFA was accepted in February 2021, the Pebble Partnership and its technical team have focused on responding to requests for information as the USACE considers the merits of the appeal.

Planning for the 2021 field program at the Pebble Project site took place during the quarter. Work at the site began in July 2021. The program involves the following activities:

- continuation of select environmental baseline studies;
- site care and maintenance, including demobilization of facilities and equipment no longer required;
- inspection, containment and permanent closure of select drill holes and monitoring wells to maintain compliance with State of Alaska regulations and permitting requirements;
- support and data collection for ongoing engineering studies; and,
- support for third-party site visits and annual inspection by State of Alaska regulatory officials.

The Pebble Partnership continues to prioritize local contracting and local employment. The 2021 field program will be staged out of facilities owned by Alaska Native village corporations in Iliamna, Alaska, and employ local residents and Alaska Native corporation shareholders.

In addition to environmental studies, care and maintenance and permit compliance activities, the Company is also currently advancing engineering, metallurgical and other technical studies – including evaluating emerging technologies and new development scenarios – to inform both internal and external understandings of how the project can be developed safely and profitably in future.

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.

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 of the potential Pebble mine were believed to be inconsistent with the testimony of Mr. Collier before the Committee and demanding production of documents apparently related to the comments. The Company has been producing documents in response to those requests. The Company also responded to the Committee by letter denying and refuting that there was any inconsistency as raised in the Committee's November 19, 2020 correspondence.

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 criminal charges having been filed against any entity or individual in this matter. The Company also self-reported this matter to the SEC, and there is a related inquiry being conducted by the enforcement staff of the SEC's 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 *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. On March 17, 2021, the two cases were consolidated and a lead plaintiff and counsel were appointed. A consolidated and amended complaint was filed in June 2021, naming the Company's CEO and the Pebble Partnership's former CEO as defendants. The Company 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) 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. The underwriters have asserted contractual rights of indemnification against the Company for any loss that they 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 been served and intends to defend itself vigorously. The underwriters haves asserted contractual rights of indemnification against the Company for any loss that they may incur in connection with the lawsuit.

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.

1.2.3 At-The-Market Offering

On June 21, 2021, the Company announced that it has entered into an At-the-Market Offering Agreement (the "**ATM Agreement**") with H.C. Wainwright & Co. (the "Agent"). Under the ATM Agreement, the Company will be able, at its discretion and from time-to-time during the term of the ATM Agreement, to sell, through the Agent, as sales agent, common shares of the Company (the "**Common Shares**") having an aggregate gross sales price of up to US$14.5 million (the "**Offering**" or "**ATM Facility**"). Sales of the Common Shares will be made in "at the market distributions", as defined in National Instrument 44-102, directly on the NYSE American stock exchange or on any other existing trading market in the United States. No offers or sales of Common Shares will be made in Canada on the Toronto Stock Exchange or other trading markets in Canada.

The Company will determine, at its sole discretion, the date, price and number of Common Shares to be sold under the ATM Facility. The Common Shares will be distributed at market prices or prices related to prevailing market prices from time to time. The Company is not required to sell any Common Shares at any time during the term of the ATM Facility, and there are no fees for having established the ATM Facility. The ATM Agreement does not restrict the Company from conducting other financings.

The Company intends to use the net proceeds of the Offering, if any and at the discretion of the Company, for (i) the appeal of the ROD by the USACE, (ii) continued engineering, environmental, permitting and evaluation work on the Pebble Project, (iii) maintenance of Company's corporate presence in Alaska, (iv) maintenance of the Pebble Project mineral claims, (v) pursuit of the partnering process for the Pebble Project, (vi) preparation of engineering reports on the Pebble Project, and (vii) general corporate purposes. The Company will pay to the Agent a placement fee for Common Shares sold under the ATM Agreement and will reimburse certain expenses of the Agent.

1.2.4 Use of Proceeds

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).

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.

The following table sets out a comparison of the Company's disclosed expected use of net proceeds from the July 2020 Offerings to the actual use of net proceeds as at June 30, 2021. 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
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.
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$4,515,231	US$4,515,231	–	NA
Commence the Alaska state permitting process for the Pebble Project, contingent upon issuance of a positive EIS and Record of Decision for the	US$17,750,000	US$-	US$17,750,000	State permitting has not yet been initiated and is pending appeal of the ROD denial.

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
Pebble Project and management determinations as to timing				
Maintenance of the Pebble claims in good standing.	US$1,400,000	US$1,400,000	–	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 in connection with the advancement of the Pebble Project	US$16,205,819	US$24,709,613 -	US$(8,503,794)	Shortfall funded through the existing treasury.
Total	US$41,871,050	US$30,624,844	US$11,246,206	

1.2.5 Market Trends

Copper prices were variable in 2016. In 2017 prices were variable to improving 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 of 2019 and were slightly variable through September, then 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 to changing economic conditions related to COVID-19 but rebounded in May and trended upward during the third quarter. Prices dropped slightly in October 2020, then increased. In 2021, prices have been variable to improving through May, dropped in June and have stabilized since that time. On August 12, 2021, the closing price was US$4.31/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 decreased before stabilizing for the remainder of 2020. Prices have been variable in 2021. On August 12, 2021, the closing price was US$1,747/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 increased, beginning in August 2020, continuing to do so 2021. On August 12, 2021, the closing price was US$19.35/lb.

Silver prices were variable to improving during most of 2016 and 2017. Prices declined in late 2017 but recovered in January 2018, but were variable the rest of 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. Silver prices resumed an uptrend in in response to uncertainty about global economic conditions related to COVID-19, 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 in 2020. Silver prices in 2021 have become more variable. On August 12, 2021, the closing price was US$23.41/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 August 12)	4.16	1,804	13.93	26.26

1. *Source for copper, gold, molybdenum (2016-2017) and silver 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

Not required for the interim MD&A

1.4 Summary and Discussion of Quarterly Results

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

Excerpts from Statements of Comprehensive Loss	**Jun 30 2021**	Mar 31 2021	Dec 30 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sep 30 2019
Expenses								
Exploration and evaluation	$ 3,345	$ 3,286	$ 7,183	$ 14,470	$ 10,332	$ 7,234	$ 11,998	$14,265
General and administrative	2,480	2,462	3,139	3,272	2,727	2,407	2,122	2,723
Legal, accounting and audit	1,916	2,287	112	701	638	987	780	(45)
Share-based compensation	1,286	1,322	1,288	6,992	615	447	455	2,149
Other items [1]	197	162	1,218	326	144	(360)	235	26
Loss for the quarter	$ 9,224	$ 9,519	$ 12,940	$ 25,761	$ 14,456	$10,715	$ 15,590	$19,118
Basic and diluted loss per common share	$ 0.02	$ 0.02	$ 0.03	$ 0.05	$ 0.03	$ 0.02	$ 0.04	$ 0.05
Weighted average number of common shares (000s)	516,077	511,259	508,916	499,285	451,788	434,012	387,352	371,605

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

Discussion of Quarterly Trends

Exploration and evaluation expenses ("E&E") has fluctuated depending on activities undertaken. In 2019, the Company focused on supporting the EIS process, including responding to USACE requests for information, review of the Draft EIS and providing comments thereon, 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. In Q1 2021, the Company focused on the review of the USACE ROD and the submission of an administrative appeal thereof. In Q2 2021, the Company advanced engineering work and completed preparations for its summer field program. Further details are discussed in Section 1.2.1.2 *Technical Programs*. E&E also includes costs for Native community engagement, site leases, land access agreements and annual claim fees.

General and administrative expenses ("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 (Q4 2019 and Q1 2020). G&A in the first two quarters are lower on average than 2020 in part due to no bonuses being paid.

Legal, accounting and audit expenses have fluctuated in response to legal fees incurred in relation to class action lawsuits and the grand jury investigation (in 2021). In Q3 and Q4 2019, and Q4 2020, the Company also received insurance refunds for costs incurred which reduced legal, accounting and audit expenses. In Q1 and Q2 of 2021, the Company incurred additional costs relating to the 2020 year end integrated audit, and the preparation of its response to the grand jury investigation.

Share-based compensation expense ("**SBC**") has fluctuated due timing (affects the estimate of fair value determined) of share purchase option ("**option**") grants, the quantum of option grants and the vesting periods associated with these option grants. The Company granted 6,783,000 and 6,610,500 options in Q3 2020 and 2019, respectively. No option grants have been issued in 2021.

1.5 Results of Operations

The following financial data has been prepared from the Interim 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 and six months ended June 30, 2021 versus 2020

For the three months, the Company recorded a $5.2 million decrease in net loss as loss from operating activities decreased by $5.3 million due to a $7.0 million decrease in E&E offset by increases in legal, accounting and audit and SBC of $1.3 million and $0.6 million, respectively, in the current quarter.

For the six months, the Company recorded a $6.4 million decrease in net loss as loss from operating activities decreased by $7.0 million as a result of a $10.9 million decrease in E&E in 2021. This was offset by increases in legal, accounting and audit and SBC of $2.6 million and $1.5 million respectively.

Exploration and evaluation expenses

The breakdown of E&E for the period as compared to 2020 is as follows:

E&E	Three months		Six months	
	2021	**2020**	**2021**	**2020**
Engineering	$ 1,538	$ 5,091	$ 2,647	$ 6,396
Environmental	451	2,880	1,280	5,914
Site activities	642	394	1,108	810
Socio-economic	573	1,895	1,400	4,252
Transportation	85	38	100	50
Other activities and travel	56	34	96	144
Total	**$ 3,345**	**$ 10,332**	**$ 6,631**	**$ 17,566**

E&E decreased by $7.0 million in the current quarter and by $10.9 million for the six month period due to a decrease in engineering, environmental and socio-economic related activities. In 2020, the Company was responding to information requests from the USACE to advance the environmental assessment process and included a review of the preliminary version of the final EIS which was distributed for review to cooperating agencies and to tribes participating in the process.

General and administrative expenses

The following table provides a breakdown of G&A, and legal, accounting and audit expenses incurred in the period as compared to 2020:

	Three months		Six months	
G&A	**2021**	**2020**	**2021**	**2020**
Conference and travel	$ 29	$ 34	$ 55	$ 131
Consulting	279	461	558	766
Depreciation of right-of-use assets	58	61	113	119
Insurance	270	175	539	347
Office costs, including information technology	257	363	461	552
Management and administration	910	1,363	2,099	2,546
Shareholder communication	662	179	892	378
Trust and filing	15	91	225	295
Total G&A	**2,480**	**2,727**	**4,942**	**5,134**
Legal, accounting and audit	1,916	638	4,203	1,625
	$ 4,396	**$ 3,365**	**$ 9,145**	**$ 6,759**

G&A in the current quarter decreased by $0.2 million. There were decreases in all lines other than insurance and shareholder communication. With the latter, the increase was partly due to timing as the Company incurred costs for the annual general meeting held on June 30, 2021, however, in 2020, the annual general meeting was held on December 17 of that year due to COVD-19.

Legal, accounting and audit expenses increased by $1.3 million in the current quarter due to the new class action lawsuits and preparation for the grand jury investigation.

In the year to date, G&A decreased by $0.2 million due primarily to discretionary performance and incentive bonuses paid to certain staff and the former PLP CEO in the six months ended June 30, 2020. In the current period, shareholder communication increased due to the 2020 annual general meeting being deferred to December of that year due to COVID-19. Legal, accounting and audit costs increased by $2.6 million due to the ongoing class action lawsuits and preparation for the grand jury investigation.

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 the current quarter, SBC increased by $0.7 million and by $1.5 million for the six month period due to the higher fair value per option that was estimated for the Q3 2020 grants versus the Q3 2019 grant.

1.5.2 Financial position as at June 30, 2021 versus December 31, 2020

The total assets of the Company decreased by $10.0 million due largely to the decrease in cash balances and the decrease in carrying value of the Company's mineral property, plant and equipment. The decrease in the later was due to a lease modification on right-of-way assets and the appreciation of the Canadian dollar in relation to US dollar which resulted in a 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 ROD by the USACE;
- continue with engineering, environmental, permitting and evaluation work on the Pebble Project as required, including the completion of engineering reports;

- 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 Pebble Project	Ongoing through next twelve months	$5,200,000
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 next twelve months	$4,600,000
Pebble claims maintenance	Continue to maintain the Pebble claims in good standing.	Ongoing through next twelve months	$1,400,000
Pebble partnering process [1]	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.[2]	Ongoing through next twelve months	$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 and defense of legal proceedings	Ongoing through next twelve months	$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 the next twelve months 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. Other than the ATM Facility, 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 June 30, 2021, the Company had cash and cash equivalents of $37.1 million, which is a decrease of $5.4 million from December 31, 2020. The Company employed $16.0 million in its operating activities in the six months ended June 30, 2021. 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*. Other than the ATM Facility, the Company does not have any arrangement in place for any future financing. There can be no assurances that the Company will be successful in obtaining additional financing when required. 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 June 30, 2021, the Company had a working capital of $31.8 million as compared to a working capital of $36.5 million at December 31, 2020. 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 June 30, 2021:

	Payments due by period as of the reporting date			
	Total	≤ 1 year	1-5 years	> 5 years
Trade and other payables [1]	**$ 5,680**	$ 5,680	$ –	$ –
Payables to related parties	**441**	441	–	–
Lease commitments [2]	**690**	114	357	219
Other commitments [3]	**603**	219	384	–
Total	**$ 7,414**	$ 6,454	$ 741	$ 219

Notes to table

1. Includes legal fees due to legal counsel of US$1,289, accrued interest thereon of US$64, and US$635 payable on completion of a partnering transaction. The Company paid the former on July 1, 2021.
2. Relates to the undiscounted lease payments to be made by the Company over the remaining lease terms.
3. Includes payments due on a short term lease and payments for the use of offices and shared space from a related party.
4. US dollar amounts have been converted at the closing rate on June 30, 2021, of $1.2398/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 June 30, 2021, 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 June 30, 2021, 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.

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

[3] Stephen Hodgson was until the end of February 2021, 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.

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 had an office use agreement with HDSI which expired on April 29, 2021. Pursuant to the agreement, the Company rented a specified office from HDSI for its sole use.

In April 2021, the Company entered into an office use agreement with HDSI, whereby HDSI is providing two offices and a non-fixed space, on as needed basis, for a five-year term commencing May 1, 2021, and ending April 29, 2026. Pursuant to this agreement, the Company has an undiscounted commitment of $0.5 million, which has been disclosed in the table under section 1.6 *Liquidity*. The commitment is a flow through cost at market rates.

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 Interim 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 Interim Financial Statements which accompany this MD&A and which are available under the Company's profile at www.sedar.com.

1.10 Fourth Quarter

Not applicable

1.11 Proposed Transactions

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

1.12 Critical Accounting Estimates

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

1.13 Changes in Accounting Policies including Initial Adoption

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

1.14 Financial Instruments and Other Instruments

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

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents 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 three and six months ended June 30, 2021. 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)		June 30 2021		December 31 2020
Financial assets:				
Amounts receivable	$	179	$	649
Cash and cash equivalents and restricted cash		10,821		23,624
		11,000		24,273
Financial liabilities:				
Long term payables		(402)		(657)
Payables to related parties		(148)		(650)
Trade and other payables		(4,414)		(6,170)
		(4,964)		(7,477)
Net financial assets exposed to foreign currency risk	$	6,036	$	16,796

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 $604 (December 31, 2020 – $1,680) 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 three and six months ended June 30, 2021.

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 August 13, 2021, is as follows:

	Number
Common shares issued and outstanding	528,528,983
Share options pursuant to the Company's incentive plan	20,825,500
Deferred share units	458,129
Warrants and non-incentive plan options[1,]	331,599

Note to table:

1. Consists of 199,999 warrants, issued pursuant to the non-revolving term credit facility in November 2019, and 131,600 non-incentive plan options, issued on the acquisition of Cannon Point in October 2015.

1.15.2 Disclosure Controls and Procedures

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

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.

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

1.15.4 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 Pebble 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 Northern Dunasty will ever be able to proceed with the development of the Pebble Project and 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.

The Company through the Pebble Partnership filed a CWA 404 permit application with the USACE, which triggered an EIS process under NEPA and ultimately resulted in the issuance by the USACE of the ROD. As discussed in this MD&A and in our 2020 AIF, 2020 Annual MD&A and Q1 2021 MD&A, the Company's permit application has been denied by the USACE and there is no assurance that the Company will be able to successfully appeal this decision or ultimately be able to advance with development of a mine at the Pebble Project. The uncertainty of the USACE appeal process casts doubt as to whether the Company will ever be able to obtain these permits for the Pebble Project as currently planned or within the timeline envisioned. If the Company is ultimately able to secure all permits required to begin construction, a number of additional years would be required to finance and build a mine and commence operations and there is no certainty as to this time frame. During these periods, the Company would likely have no income and will accordingly require additional financing to continue its operations. There is no assurance that this financing will be available to the Company. 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.

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, 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.

If Northern Dynasty is Unable to Defend the Proposed 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 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 May 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. Appealing the ROD in any future litigation will require a substantial amount of our current cash and financial resources. 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 ROD, 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. The Company's inability to secure this additional required financing will negatively impact the ability of shareholders to recover their investment in the Company.

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 concerted 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, and have been, employed by opposition groups to delay or frustrate development at Pebble, included political and public advocacy, electoral strategies, media and public outreach campaigns, attempting to purchase intervening land rights, and protest activity. These efforts could materially increase the cost and time for development of the Pebble Project and the related infrastructure, or require changes to development plans, which could adversely impact project economics.

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, and the negative impact of the ROD and the investigations regarding the Pebble Project may negatively impact the Company's ability to enter into any arrangement. 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, of which there is no assurance.

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 never declared or paid any dividends on its common shares. Northern Dynasty intends, for the foreseeable future, to retain its future earnings, if any, to finance its exploration activities and its operations. 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 Interim Financial Statements have been Prepared Assuming Northern Dynasty will continue on a Going Concern Basis

Northern Dynasty has prepared its 2020 Financial Statements and its Interim Financial Statements on the basis that Northern Dynasty will continue as a going concern. At June 30, 2021, the Company had a working capital of $31.8 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 2021 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 rhenium 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.

Northern Dynasty's common shares are listed on the TSX and NYSE American Exchanges. 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. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. The price of the Company's common shares is also likely to be significantly affected by short-term changes in gold, silver, molybdenum and copper prices or in Northern Dynasty's financial condition or results of operations as reflected in its 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 has been 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.

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.