



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED
MARCH 31, 2017**

(Expressed in thousands of Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

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

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

	Notes	March 31 2017	December 31 2016
ASSETS			
Non-current assets			
Mineral property, plant and equipment	3	\$ 141,073	\$ 142,472
Total non-current assets		141,073	142,472
Current assets			
Held-to-maturity investments	4	14,993	-
Amounts receivable and prepaid expenses	5	535	679
Cash and cash equivalents	6	39,715	7,196
Total current assets		55,243	7,875
Total Assets		\$ 196,316	\$ 150,347
EQUITY			
Capital and reserves			
Share capital	7	\$ 505,690	\$ 452,132
Reserves		100,014	102,821
Deficit		(411,517)	(406,106)
Total Equity		194,187	148,847
LIABILITIES			
Current liabilities			
Payables to related parties	8	475	240
Trade and other payables	9	1,654	1,260
Total current liabilities		2,129	1,500
Total Liabilities		2,129	1,500
Total Equity and Liabilities		\$ 196,316	\$ 150,347

Commitments (note 12)

Events after the reporting date (note 14)

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

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

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Christian Milau

Christian Milau
Director

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

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

	Notes	Three months ended March 31	
		2017	2016
Expenses			
Exploration and evaluation expenses	3, 11	\$ 1,780	\$ 2,025
General and administrative expenses	11	2,548	2,130
Legal, accounting and audit		1,305	3,854
Share-based compensation	7(d)	507	156
Loss from operating activities		6,140	8,165
Foreign exchange (gain) loss		(647)	150
Interest income		(82)	(5)
Gain on sale of available-for-sale financial assets		-	(70)
Loss on sale of plant and equipment		-	23
Loss before tax		5,411	8,263
Deferred Income tax (recovery) expense		-	-
Net loss		\$ 5,411	\$ 8,263
Other comprehensive loss (income)			
Items that may be subsequently reclassified to loss			
Foreign exchange translation difference	3, 7(e)	1,345	8,875
Derecognition of available-for-sale financial assets		-	(105)
Other comprehensive loss		\$ 1,345	\$ 8,770
Total comprehensive loss		\$ 6,756	\$ 17,033
Basic and diluted loss per common share	10	\$ 0.02	\$ 0.04

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

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

	Notes	Three months ended March 31	
		2017	2016
Operating activities			
Net loss		\$ (5,411)	\$ (8,263)
<u>Non-cash or non operating items</u>			
Depreciation		42	56
Gain on disposal of available-for-sale financial assets		-	(70)
Loss on sale of plant and equipment		-	23
Interest received on cash and held-to-maturity investments		(82)	(5)
Share-based compensation		507	156
Unrealized exchange (gain) loss		(237)	145
<u>Changes in working capital items</u>			
Restricted cash		-	453
Amounts receivable and prepaid expenses		144	503
Trade and other payables		406	2,188
Payables to related parties		235	(184)
Net cash used in operating activities		(4,396)	(4,998)
Investing activities			
Purchase of held-to-maturity investments	4	(14,873)	-
Proceeds from disposal of available-for-sale financial assets		-	1,754
Interest received on cash and cash equivalents		28	5
Net cash (used in) from investing activities		(14,845)	1,759
Financing activities			
Net proceeds from bought deal financing	7(b)	45,898	-
Proceeds from the exercise of share purchase options and warrants	7(c)-(d)	5,691	66
Net cash from financing activities		51,589	66
Net increase (decrease) in cash and cash equivalents		32,348	(3,173)
Effect of exchange rate fluctuations on cash and cash equivalents		171	(145)
Cash and cash equivalents - beginning balance		7,196	7,509
Cash and cash equivalents - ending balance	6	\$ 39,715	\$ 4,191

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

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

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

	Notes	Share capital		Reserves					Deficit	Total equity
		Number of shares	Amount	Equity settled share-based compensation reserve	Foreign currency translation reserve (note 7(e))	Investment revaluation reserve	Share Purchase Warrants (note 7(c))			
Balance at January 1, 2016		221,939,376	\$ 435,069	\$ 56,197	\$ 40,479	\$ (107)	\$ 2,466	\$ (379,124)	\$ 154,980	
Common shares issued on exercise of options per option plan	7(d)	211,500	66	-	-	-	-	-	66	
Fair value allocated to shares issued on options exercised per option plan		-	37	-	-	-	(37)	-	-	
Share-based compensation		-	-	156	-	-	-	-	156	
Net loss		-	-	-	-	-	-	(8,263)	(8,263)	
Other comprehensive (loss) income net of tax		-	-	-	(8,875)	105	-	-	(8,770)	
Total comprehensive loss									(17,033)	
Balance at March 31, 2016		222,150,876	\$ 435,172	\$ 56,353	\$ 31,604	\$ (2)	\$ 2,429	\$ (387,387)	\$ 138,169	
Balance at January 1, 2017		270,869,561	\$ 452,132	\$ 58,926	\$ 36,233	\$ (2)	\$ 7,664	\$ (406,106)	\$ 148,847	
Common shares issued on exercise of options per option plan	7(d)	986,200	1,603	-	-	-	-	-	1,603	
Common shares issued on exercise of options not under option plan	7(c)	100,000	40	-	-	-	-	-	40	
Common shares issued upon exercise of warrants	7(c)	6,591,812	4,048	-	-	-	-	-	4,048	
Fair value allocated to shares issued on options exercised per plan		-	697	(697)	-	-	-	-	-	
Fair value allocated to shares issued on options exercised not under option plan		-	38	-	-	-	(38)	-	-	
Fair value and costs allocated to share capital on exercise of warrants		-	1,234	-	-	-	(1,234)	-	-	
Common shares issued pursuant to bought deal financing, net of transaction costs	7(b)	20,240,000	45,898	-	-	-	-	-	45,898	
Share-based compensation		-	-	507	-	-	-	-	507	
Net loss		-	-	-	-	-	-	(5,411)	(5,411)	
Other comprehensive loss net of tax		-	-	-	(1,345)	-	-	-	(1,345)	
Total comprehensive loss									(6,756)	
Balance at March 31, 2017		298,787,573	\$ 505,690	\$ 58,736	\$ 34,888	\$ (2)	\$ 6,392	\$ (411,517)	\$ 194,187	

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2017 and 2016

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Northern Dynasty Minerals Ltd. (the "Company") is incorporated under the laws of the Province of British Columbia, Canada, and its principal business activity is the exploration of mineral properties. The Company is listed on the Toronto Stock Exchange ("TSX") under the symbol "NDM" and on the New York Stock Exchange-MKT ("NYSE-MKT") under the symbol "NAK". The Company's corporate office is located at 1040 West Georgia Street, 15th floor, Vancouver, British Columbia.

The condensed consolidated interim financial statements ("Financial Statements") of the Company as at and for the three months ended March 31, 2017, include financial information for the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Company is the ultimate parent. The Group's core mineral property interest is the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project") located in Alaska, United States of America ("USA" or "US").

The Group is in the process of exploring and developing the Pebble Project and has not yet determined whether the Pebble Project contains mineral reserves that are economically recoverable. The Group's continuing operations and the underlying value and recoverability of the amounts shown for the Group's mineral property interests, is entirely dependent upon the existence of economically recoverable mineral reserves; the ability of the Group to obtain financing to complete the exploration and development of the Pebble Project; the Group obtaining the necessary permits to mine; and future profitable production or proceeds from the disposition of the Pebble Project.

During the period ended March 31, 2017, the company raised gross proceeds of US\$37,444 (\$49,067) through a bought deal financing (note 7(b)) and \$5,691 from the exercise of share purchase options and warrants.

As at March 31, 2017, the Group has \$39,715 in cash and cash equivalents for its operating requirements and a further \$14,993 in held-to-maturity investments which mature and become available to the Group in August and November this year. The Group incurred a net loss of \$5,411 and \$8,263 during the three months ended March 31, 2017 and 2016, respectively and had a deficit \$411,517 as at March 31, 2017. The Group has prioritized the allocation of available financial resources in order to meet key corporate and Pebble Project expenditure requirements to at least the end of the Group's fiscal year. Additional financing will be required in order to progress any material expenditures at the Pebble Project beyond 2017. Additional financing may include any of or a combination of debt equity and/or contributions from possible new Pebble Project participants. There can be no assurances that the Group will be successful in obtaining additional financing. If the Group is unable to raise the necessary capital resources and generate sufficient cash flows to meet obligations as they come due, the Group may, at some point, consider reducing or curtailing its operations. As such there is material uncertainty that raises substantial doubt about the Group's ability to continue as a going concern.

In July 2014, the United States Environmental Protection Agency (the "EPA") announced a proposal under Section 404(c) of the Clean Water Act ("CWA") to restrict and impose limitations on all discharges of dredged or fill material ("EPA Action") associated with mining the Pebble deposit. The Company believes that the EPA does not have the statutory authority to impose conditions on the development at Pebble prior to the submission of a detailed development plan and its thorough review by federal and state agencies, including review under the National Environmental Protection Act ("NEPA"). The Pebble Limited Partnership (the "Pebble Partnership"), a wholly-owned subsidiary of the Company, along with the State of Alaska and the Alaska Peninsula Corporation, an Alaska Native village corporation with extensive land holdings in the Pebble Project area, filed for an injunction to stop the EPA Action with the US Federal Court in Alaska (the "Court"). However, the Court has deferred judgment thereon until the EPA has issued a final determination. The Company appealed the Court's decision to the 9th Circuit Court of Appeals. The appeal was denied in May 2015. The Pebble Partnership still holds the option to pursue its statutory authority case in the instance that EPA finalizes a pre-emptive regulatory action under the Clean Water Act 404(c). In September 2014, the Pebble Partnership initiated a second action against the EPA in federal district court in Alaska charging that the EPA violated the *Federal Advisory Committee Act* ("FACA"). In

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November 2014, the U.S. federal court judge in Alaska granted, in relation to the FACA case, the Pebble Partnership's request for a preliminary injunction, which, although considered by the Company as a significant procedural milestone in the litigation, does not resolve the Pebble Partnership's claims that the EPA Actions with respect to the Bristol Bay Assessment and subsequent 404(c) regulatory process, violated FACA. In June 2015, the EPA's motion to dismiss the FACA case was rejected and as a result the FACA case is moving forward. The Company expects its legal rights will be upheld by the Court and that the Company will ultimately be able to apply for the necessary permits under NEPA. On October 14, 2014, the Pebble Partnership filed suit in the federal district court in Alaska charging that the EPA has violated the *Freedom of Information Act* ("FOIA") by improperly withholding documents related to the Pebble Project, the Bristol Bay Watershed Assessment and consideration of a pre-emptive 404(c) veto under the Clean Water Act.

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

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

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

On December 30, 2016, the Pebble Partnership and the EPA filed a joint Notice in federal court staying the ongoing FACA litigation until March 20, 2017; the stay was extended by the parties to May 4, 2017 and then to May 11, 2017 in the interest of resolving the matter. The Court's November 2014 Preliminary Injunction remained in effect for the duration of the stay.

On May 12, 2017, the Company announced a settlement agreement between the Pebble Partnership and the EPA (note 14).

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Notes to the Condensed Consolidated Interim Financial Statements

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2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of Compliance*

These Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"s). They do not include all of the information required by International Financial Reporting Standards ("IFRS") for complete annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended December 31, 2016, which were filed under the Company's profile on SEDAR at www.sedar.com. Accounting policies applied herein are the same as those applied in the Group's annual financial statements other than those as discussed in, (c), (d) and (f) below. These Financial Statements were authorized for issue by the Audit and Risk Committee on May 12, 2017.

(b) *Basis of Preparation and Consolidation*

These Financial Statements have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information and for financial instruments classified as available-for-sale, which are stated at their fair value.

Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated in full on consolidation.

There was no change in the composition of the Group during the reporting period.

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

The Group adopted the following amendments and annual improvements that became effective January 1, 2017:

- Amendments to IAS 7, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to IAS 12, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
- Annual improvements to IFRS 2014 – 2016 Cycle – *Amendments to IFRS 12, Disclosure of Interests in Other Entities*

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

(d) *Accounting Standards, Amendments and Revised Standards Not Yet Effective*

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

- IFRS 9, *Financial Instruments* ("IFRS 9")
- IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

The Group anticipates that the adoption of IFRS 15 will have no material impact on its financial statements due to the current stage of development in the Group's operations. In terms of IFRS 9, the Group is currently evaluating the impact of the standard on the financial statements given that the Company's current use of financial instruments in the ordinary course of business.

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

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

The Group anticipates that the adoption of IFRS 16 will not have a significant impact other than the accounting for office, accommodation and storage leases the Group may have entered into where the minimum lease term is more than 12 months. The Group has currently a 5 year office lease (refer note 12(a)).

(e) *Financial Instruments*

Non-derivative financial assets:

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. The Group invested in fixed maturity guaranteed investment certificates during the current quarter (note 4).

(f) *Significant Accounting Estimates and Judgments*

There was no change in the use of estimates and judgments during the current period as compared to those described in Note 2 in the Group's Consolidated Financial Statements for the year ended December 31, 2016.

3. MINERAL PROPERTY, PLANT AND EQUIPMENT

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

<i>Three months ended March 31, 2017</i>	Mineral Property interest ¹	Plant and equipment	Total
Cost			
Beginning and ending balance	\$ 112,541	\$ 881	\$ 113,422
Accumulated depreciation			
Beginning balance	\$ -	\$ (558)	\$ (558)
Charge ²	-	(42)	(42)
Ending balance	\$ -	\$ (600)	\$ (600)
Foreign currency translation difference	28,029	222	28,251
Net carrying value - Ending balance	\$ 140,570	\$ 503	\$ 141,073

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2017 and 2016

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

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

Notes

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

4. HELD-TO-MATURITY INVESTMENTS

	March 31 2017	December 31 2016
Total - Guaranteed Investment Certificates	\$ 14,993	\$ -

The investments comprise US and Canadian dollars, earn interest between 1.34% and 1.46% per annum and mature in August and November of this year.

Interest earned for the three months ended March 31, 2017 of \$54 has been included in interest income in the statement of loss.

5. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31 2017	December 31 2016
Sales tax receivable	\$ 90	\$ 50
Amounts receivable	108	138
Prepaid expenses	337	491
Total	\$ 535	\$ 679

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2017 and 2016

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

6. CASH AND CASH EQUIVALENTS

	March 31 2017	December 31 2016
Business and savings accounts	\$ 19,730	\$ 7,196
Guaranteed Investment Certificates	19,985	-
Total	\$ 39,715	\$ 7,196

7. CAPITAL AND RESERVES

(a) Authorized Share Capital

At March 31, 2017, the authorized share capital comprised an unlimited (2016 – unlimited) number of common shares with no par value. All issued shares are fully paid.

(b) Financing

The Group completed a bought deal offering (the "Offering") of 20,240,000 common shares at US\$1.85 per common share for gross proceeds of US\$37,444 (\$49,067). The Offering was completed by way of a prospectus filed in all of the provinces of Canada, other than Québec, and was offered in the United States pursuant to a prospectus filed as part of an effective registration statement on Form F-10 filed with the United States Securities and Exchange Commission under the Canada/U.S. multi-jurisdictional disclosure system. After transactions costs of \$3,169, including a 5% commission paid to the underwriters, the Group raised net proceeds of \$45,898.

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

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

Exercise price (\$)	Expiry date	Three months ended March 31, 2017				Ending Balance
		Beginning Balance	Issued	Exercised	Expired	
Options issued pursuant to the acquisition of Cannon Point Resources ¹						
0.37	July 23, 2017	18,800	-	-	-	18,800
0.37	June 30, 2019	56,400	-	-	-	56,400
0.40	June 30, 2019	91,650	-	-	-	91,650
0.37	March 10, 2021	9,400	-	-	-	9,400
0.40	March 10, 2021	138,650	-	(100,000)	-	38,650
0.37	December 15, 2021	37,600	-	-	-	37,600
0.40	December 12, 2022	56,400	-	-	-	56,400
0.29	December 8, 2024	37,600	-	-	-	37,600
Total		446,500	-	(100,000)	-	346,500

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

Three months ended March 31, 2017						
Exercise price (\$)	Expiry date	Beginning Balance	Issued	Exercised	Expired	Ending Balance
Warrants issued pursuant to the acquisition of Mission Gold ¹						
0.55	July 9, 2020	11,288,698	-	(2,575,360)	-	8,713,338
3.00	September 14, 2017	2,871,676	-	(8,952)	-	2,862,724
Total		14,160,374	-	(2,584,312)	-	11,576,062
Warrants issued pursuant to financings ²						
0.65	June 10, 2021	39,396,410	-	(4,007,500)	-	35,388,910
Total		39,396,410	-	(4,007,500)	-	35,388,910
Grand Total		54,003,284	-	(6,691,812)	-	47,311,472

Three months ended March 31, 2016						
Exercise price per common share (\$)	Expiry date	Beginning Balance	Issued	Exercised	Expired	Ending Balance
Options issued pursuant to the acquisition of Cannon Point ¹						
0.29	January 29, 2016	150,400	-	(150,400)	-	-
0.37	January 29, 2016	220,900	-	(61,100)	(159,800)	-
0.40	January 29, 2016	150,400	-	-	(150,400)	-
0.43	January 29, 2016	37,600	-	-	(37,600)	-
0.37	July 23, 2017	18,800	-	-	-	18,800
0.37	June 30, 2019	56,400	-	-	-	56,400
0.40	June 30, 2019	225,600	-	-	-	225,600
0.37	March 10, 2021	9,400	-	-	-	9,400
0.40	March 10, 2021	150,400	-	-	-	150,400
0.37	December 15, 2021	37,600	-	-	-	37,600
0.40	December 12, 2022	75,200	-	-	-	75,200
0.29	December 8, 2024	37,600	-	-	-	37,600
Total		1,170,300	-	(211,500)	(347,800)	611,000

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

Exercise price per common share (\$)	Expiry date	Three months ended March 31, 2016				Ending Balance
		Beginning Balance	Issued	Exercised	Expired	
Warrants issued pursuant to the acquisition of Mission Gold ¹						
0.55	July 9, 2020	13,801,672	-	-	-	13,801,672
3.00	September 14, 2017	2,871,676	-	-	-	2,871,676
Total		16,673,348	-	-	-	16,673,348
Grand Total		17,843,648	-	(211,500)	(347,800)	17,284,348

Notes to previous tables:

- The Group exchanged options and warrants to purchase shares in Cannon Point Resources Ltd. ("Cannon Point") and warrants to purchase shares in Mission Gold Ltd. ("Mission Gold") for options and warrants to purchase shares in the Company pursuant to the acquisition of Cannon Point in October 2015 and Mission Gold in December 2015 respectively.
- The Group issued warrants pursuant to the June 2016 prospectus and July 2016 private placement financings.

At March 31, 2017, warrants and non-employee options had a weighted average exercise price of \$0.77 (December 31, 2016 - \$0.75) and weighted average remaining life of 3.80 years (December 31, 2016 - 4.05 years).

(d) Share Purchase Option Compensation Plan

The following reconciles the Group's share purchase options ("options") issued pursuant to the Group's incentive plan outstanding for the three months ended March 31, 2017 and 2016:

	2017		2016	
	Number of options	Weighted average exercise price (\$/option)	Number of options	Weighted average exercise price (\$/option)
Continuity of options				
Beginning Balance	15,861,131	\$ 0.92	9,755,600	1.27
Granted	-	-	600,000	0.48
Expired	(7,600)	1.77	(27,000)	15.44
Exercised	(986,200)	1.63	-	-
Forfeited	-	-	(6,000)	0.50
Cancelled	-	-	(39,600)	1.42
Ending Balance	14,867,331	\$ 0.87	10,283,000	1.18

Details of options exercised during the three months ended March 31, 2017 (2016 - nil) were as follows:

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

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

Exercise prices (\$)	March 31, 2017		December 31, 2016	
	Number of options exercisable	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average remaining contractual life (years)
0.48	400,000	3.96	200,000	4.21
0.49	1,992,670	4.05	2,009,670	4.28
0.50	1,979,676	3.08	2,074,676	3.27
0.72	200,000	2.46	200,000	2.71
0.89	1,138,498	1.98	1,113,498	2.22
1.77	3,110,000	1.91	3,991,800	1.71
3.00	475,000	0.25	475,000	0.49
	9,295,844	2.64	10,064,644	2.61

The weighted average exercise price for exercisable options as at March 31, 2017 was \$1.10 (December 31, 2016 - \$1.17) per option.

(e) Foreign Currency Translation Reserve

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

8. RELATED PARTY BALANCES AND TRANSACTIONS

The components of payables to related parties is as follows:

	March 31 2017	December 31 2016
Hunter Dickinson Services Inc. (b)	\$ 357	\$ 240
Key management personnel (a)	118	-
	\$ 475	\$ 240

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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 key management personnel ("KMP"), being the Group's directors, Chief Financial Officer ("CFO") and senior management including the Senior Vice President ("VP"), Corporate Development, VP, Corporate Communications, VP, Engineering, VP, Public Affairs, Chief Executive Officer of the Pebble Partnership ("PLP CEO"), Chair of Pebble Mines Corp ("PMC Chair"), Senior VP, Corporate Affairs of the Pebble Partnership ("PLP Senior VP") and Company Secretary, was as follows:

Transaction	Three months ended March 31	
	2017	2016
Compensation		
Amounts paid to HDSI for services of KMP employed by HDSI ¹	\$ 861	\$ 665
Amounts paid and payable to KMP ²	1,037	562
	1,898	1,227
Share-based compensation	469	77
Total compensation	\$ 2,367	\$ 1,304

Notes:

1. The Group's CEO, CFO, Board Chair and senior management, other than disclosed in note 2 below, are employed by the Group through Hunter Dickinson Services Inc. (refer (b)).
2. The Group directly employs its independent directors, the PLP CEO, PMC Chair and PLP Senior VP. Amounts paid and payable represent short term employee benefits incurred, including salaries and directors fees. Included in balances payable to KMP are \$77 in directors' fees owing for the three months ended March 31, 2017.

(b) *Transactions and Balances with other Related Parties*

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

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

Transactions	Three months ended March 31	
	2017	2016
Services rendered by HDSI:	\$ 1,172	\$ 1,060
Technical	418	288
Engineering	79	37
Environmental	125	94
Socioeconomic	187	152
Other technical services	27	5
General and administrative	754	772
Management, corporate communications, secretarial, financial and administration	545	612
Shareholder communication	209	160
Reimbursement of third party expenses	155	150
Conferences and travel	87	44
Insurance	-	42
Office supplies and information technology	68	64
Total value of transactions	\$ 1,327	\$ 1,210

9. TRADE AND OTHER PAYABLES

Falling due within the year	March 31	December 31
	2017	2016
Trade	\$ 1,654	\$ 1,260
Total	\$ 1,654	\$ 1,260

10. BASIC AND DILUTED LOSS PER SHARE

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

	Three months ended March 31	
	2017	2016
Loss attributable to common shareholders	\$ 5,411	\$ 8,263
Weighted average number of common shares outstanding (000s)	290,650	222,106

For the three months ended March 31, 2017, the diluted loss per share does not include the effect of 14,867,331 (2016 - 10,283,000) employee options outstanding and 47,311,472 (2016 - 17,284,348) non-employee options and warrants as they are anti-dilutive.

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11. EMPLOYMENT COSTS

During the three months ended March 31, 2017, the Group recorded \$2,900 (2016 - \$2,213) in salaries and benefits, including share-based payments and amounts paid to HDSI (note 8(b)) for services provided to the Group by HDSI personnel.

12. COMMITMENTS AND CONTINGENCIES

(a) Leases

The Group has the following commitments as of March 31, 2017:

	2017 (After March 31) ('000s)	Fiscal 2018 ('000s)	Fiscal 2019 ('000s)	Total ('000s)
Anchorage office lease ¹	US\$ 66	US\$ 91	US\$ 94	US\$ 251
Pebble Project site leases ²	122	59	-	181
Total	US\$ 188	US\$ 150	US\$ 94	US\$ 432
Total in Canadian dollars ³	\$ 250	\$ 199	\$ 125	\$ 574

Notes:

1. The initial 5 year lease term expires on October 31, 2021.
2. The Group has leases for a hangar at site and core storage. The hangar lease expires May 1, 2018 and the core yard lease expires June 1, 2018.
3. Converted at the Bank of Canada closing rate of \$1.3299 per US\$ on March 31, 2017.

(b) Legal

The Group, through the Pebble Partnership, is advancing its multi-dimensional strategy to address the EPA's preemptive regulatory action under Section 404(c) of the CWA, including through litigation against the EPA, contesting the EPA's statutory authority to act pre-emptively under the CWA, and alleging violation of FACA and the unlawful withholding of documentation under the Freedom of Information Act. The Group has a contingent liability for additional legal fees and costs that may be due to the Group's counsel should there be a successful outcome. However, the Group is unable to estimate or determine the length of time that each of the legal initiatives mentioned above will take to advance to specific milestone events or final conclusion. As of the reporting date, if there was a favourable outcome or settlement, the Group estimates there would potentially be additional legal fees of \$20.8 million (US\$15.6 million at the closing Bank of Canada rate on March 31, 2017 of \$1.3299 per US\$) payable by the Company. Refer further to events after the reporting date (note 14).

On February 14, 2017, short seller investment firm Kerrisdale Capital Management LLC published a negative piece (the "Kerrisdale Report") regarding the Pebble Project. Three putative shareholder class actions were filed against the Company and certain of its current officers and directors in US federal courts, specifically the Central District of California (Los Angeles) and the Southern District of New York (New York City). The Company has not yet been served with these complaints, but has seen them and assessed their substance. The Company believes that the allegations in these complaints are without merit, and it intends to defend itself vigorously against these actions. The cases are captioned: *Diaz v. Northern Dynasty Minerals Ltd. et al*, Case No. 17-cv-01241 (C.D. Cal.); *Kirwin v. Northern Dynasty Minerals Ltd. et al*, Case No. 17-cv-01238 (S.D.N.Y.); and *Schubert v. Northern Dynasty Minerals, Ltd., et al*, Case No. 1:17-CV-02437 (S.D.N.Y.). The complaints appear to rely on the claims made in the

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Kerrisdale Report and allege damages to a class of investors who purchased shares of the Company prior to the publication of the Kerrisdale Report and allege liability for losses pursuant to Section 10(b) of the Exchange Act of 1934 and SEC Rule 10b-5 thereunder, as well as control person liability against the individual defendants pursuant to Section 20(a) of the Exchange Act. In the last few weeks, the named plaintiffs in both *Kirwin* and *Schubert* voluntarily dismissed their claims without prejudice.

13. FINANCIAL INSTRUMENTS

Foreign Exchange Risk

There has been no change in the Group's objectives and policies managing both the currency transaction and currency translation risk. The operating results and financial position of the Group are reported in Canadian dollars and the fluctuation of the US dollar in relation to the Canadian dollar will consequently have an impact upon the losses incurred by the Group as well as the value of the Group's assets and the amount of shareholders' equity. The bought deal financing was completed in US dollars (note 7(b)) and as a result the Group's exposure to foreign exchange risk has increased as follows:

	March 31	December 31
	2017	2016
US dollar denominated financial assets and liabilities		
Financial assets:		
Held-to-maturity investments	\$ 12,671	\$ -
Amounts receivable	233	326
Cash and cash equivalents	33,416	2,232
	46,320	2,558
Financial liabilities:		
Payables to related parties	(41)	-
Trade and other payables	(1,422)	(652)
	(1,463)	(652)
Net financial assets exposed to foreign currency risk	\$ 44,857	\$ 1,906

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 \$4,486 (December 31, 2016 - \$191) in the period. This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

14. EVENTS AFTER THE REPORTING DATE

The Company announced on May 12, 2017, that the Pebble Partnership and the EPA (the "parties") have reached a settlement agreement (the "joint settlement agreement") with respect to the parties longstanding legal dispute over the pre-emptive regulatory action under the CWA. Under the terms of the joint settlement agreement:

- the EPA agreed the Pebble Project can proceed into normal course permitting under the CWA and National Environmental Policy Act ("NEPA"), and that it cannot seek to utilize its authority under CWA 404(c) until such time as a final Environmental Impact Statement ("EIS") has been completed by the US Army Corps of Engineers, so long as that occurs within a period of four years following the settlement agreement, and that PLP files permit applications within 30 months of the date of the settlement agreement. EPA further agreed to initiate a process to consider withdrawing the Proposed Determination it issued under CWA 404(c) in July 2014; and

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- the Pebble Partnership agreed to terminate each of the legal actions it brought against EPA since 2014, including the action under the *Federal Advisory Committee Act* ("FACA"); an action challenging EPA's statutory authority under the Clean Water Act; and an action under the *Freedom of Information Act* ("FOIA").

As a result of the settlement, the Group will be required to recognise the additional legal fees payable to the Group's counsel (note 12(b)), which pursuant to the terms of the fee arrangement, is payable over three equal tranches.