



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

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

(Expressed in thousands of Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Condensed Consolidated Interim Financial Statements

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

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

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

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

Commitments (note 13)

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

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

/s/ Ronald W. Thiessen

Ronald W. Thiessen
Director

/s/ Christian Milau

Christian Milau
Director

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

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

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

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

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

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

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

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

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

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

The condensed consolidated interim financial statements ("Financial Statements") of the Company as at and for the three months ended March 31, 2018, include financial information for the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Company is the ultimate parent. The Group's core mineral property interest is the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project") located in Alaska, United States of America ("USA" or "US"). All US dollar amounts when presented are expressed in thousands, unless otherwise stated.

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

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

As at March 31, 2018, the Group has \$27,956 in cash and cash equivalents for its operating requirements and a further \$34,218 in low risk short term investments-which mature and become available to the Group at different dates within the next eight months. The Group incurred a net loss of \$11,092 and \$5,411 during the three months ended March 31, 2018 and 2017, respectively and had a deficit \$482,063 as at March 31, 2018. The Group has prioritized the allocation of available financial resources in order to meet key corporate and Pebble Project expenditure requirements in the near term. Additional financing will be required in order to progress any material expenditures at the Pebble Project. Additional financing may include any of or a combination of debt equity and/or contributions from possible new Pebble Project participants. There can be no assurances that the Group will be successful in obtaining additional financing. If the Group is unable to raise the necessary capital resources and generate sufficient cash flows to meet obligations as they come due, the Group may, at some point, consider reducing or curtailing its operations. As such there is material uncertainty that raises substantial doubt about the Group's ability to continue as a going concern.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) *Statement of Compliance*

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

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

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

(b) *Use of Judgments and Estimates*

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

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

(c) *Changes in Significant Accounting Policy*

IFRS 9, Financial Instruments ("IFS 9")

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

Classification and measurement of financial assets

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

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

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

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

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

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

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

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

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

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

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

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

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

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

Notes

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

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

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

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

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

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

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

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

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

IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the term of the lease is twelve months or less or the underlying asset has a low value. Lessor accounting however remains unchanged from IAS 17 and the distinction between operating and finance leases is retained. IFRS 16 now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors.

The Group will adopt IFRS 16 at the effective date and anticipates that the adoption will not have a significant impact other than the accounting for office, accommodation and storage leases the Group may have entered into where the minimum lease term is more than 12 months.

3. FRAMEWORK AGREEMENT WITH FIRST QUANTUM MINERALS LTD.

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

4. MINERAL PROPERTY, PLANT AND EQUIPMENT

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

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

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

Notes

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

5. INVESTMENTS

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

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

6. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

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

7. CASH AND CASH EQUIVALENTS

(a) Cash and Cash Equivalents

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

(b) Restricted Cash

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

8. CAPITAL AND RESERVES

(a) Authorized Share Capital

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

(b) Financing

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

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

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

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

Notes to previous tables:

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

(d) Share Purchase Option Compensation Plan

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

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

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

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

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

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

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

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

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

(f) Restricted Share Units ("RSUs")

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

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

(g) Foreign Currency Translation Reserve

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

9. RELATED PARTY BALANCES AND TRANSACTIONS

The components of transactions to related parties is as follows:

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

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

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

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

Notes:

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

(b) Transactions and Balances with other Related Parties

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

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

10. TRADE AND OTHER PAYABLES

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

Note

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

11. BASIC AND DILUTED LOSS PER SHARE

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

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

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

12. EMPLOYMENT COSTS

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

13. COMMITMENTS AND CONTINGENCIES

(a) Leases

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

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

Notes:

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

(b) Legal

On February 14, 2017, short seller investment firm Kerrisdale Capital Management LLC published a negative piece (the "Kerrisdale Report") regarding the Pebble Project. Three putative shareholder class actions were filed against the Company and certain of its current officers and directors in US federal courts, specifically the Central District of California (Los Angeles) and the Southern District of New York (New York City). The cases are captioned: *Diaz v. Northern Dynasty Minerals Ltd. et al, Case No. 17-cv-01241 (C.D. Cal.)*, *Kirwin v. Northern Dynasty Minerals Ltd. et al, Case No. 17-cv-01238 (S.D.N.Y.)* and *Schubert v. Northern Dynasty Minerals, Ltd., et al, Case No. 1:17-CV-02437 (S.D.N.Y.)*. The complaints appear to rely on the claims made in the Kerrisdale Report and allege damages to a class of investors who purchased shares of the Company prior to the publication of the Kerrisdale Report and allege liability for losses pursuant to Section 10(b) of the Exchange Act of 1934 and SEC Rule 10b-5 thereunder, as well as control person liability against the individual defendants pursuant to Section 20(a) of the Exchange Act. The plaintiffs in both the *Kirwin* and *Schubert* actions voluntarily dismissed their claims without prejudice. The plaintiffs in the *Diaz* action continue to litigate and filed an amended complaint. The Company filed a motion to dismiss the complaint that was recently granted, but the Judge in that action has given the

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

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

14. FINANCIAL INSTRUMENTS

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

(a) Credit Risk

Credit risk is the risk of potential loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its liquid financial assets, including cash and cash equivalents, restricted cash, investments and amounts receivable. The Group limits the exposure to credit risk by only investing its cash and cash equivalents, restricted cash and investments with high-credit quality financial institutions in business and saving accounts, guaranteed investment certificates ("GICs"), in government treasury bills and low risk corporate bonds which are available on demand by the Group when required. Amounts receivable (note 6) include vendor advances and refundable deposits. The following is the Group's maximum exposure:

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

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. The Group ensures, as far as reasonably possible, it will have sufficient capital in order to meet short to medium term business requirements, after taking into account cash flows from operations and the Group's holdings of cash and cash equivalents, restricted cash and investments, where applicable. At the reporting date, cash and cash equivalents were invested in business and savings accounts and GICs (note 7(a)) and investments were invested in GICs and short term low risk corporate bonds (note 5).

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

(c) Foreign Exchange Risk

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

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2018 and 2017

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

the value of the Group's assets and the amount of shareholders' equity. The Group has not entered into any agreements or purchased any instruments to hedge possible currency risks.

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

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

Based on the above net exposures and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar relative to the US dollar would result in a gain or loss of \$3,667 (December 31, 2017 - \$4,379) in the period. This sensitivity analysis includes only outstanding foreign currency denominated monetary items.

(d) Interest Rate Risk

The Group is subject to interest rate cash flow risk with respect to its investments in cash and cash equivalents, GICs and bonds. The Group's policy is to invest cash at fixed rates of interest and cash reserves are to be maintained in cash and cash equivalents or invest in short term, low risk investments in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when cash and cash equivalents mature impact interest income earned.

Assuming that all other variables remain constant, a 100 basis points change representing a 1% increase or decrease in interest rates would have resulted in a decrease or increase in loss of \$411 (2017 - \$309).

(e) Fair Value

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