



**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

**THREE MONTHS ENDED
MARCH 31, 2015**

(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	March 31 2015	December 31 2014
ASSETS			
Non-current assets			
Mineral property, plant and equipment	3	\$ 134,896	\$ 123,608
Total non-current assets		134,896	123,608
Current assets			
Available-for-sale financial assets	4	193	287
Amounts receivable and prepaid expenses	5	604	962
Restricted cash	6(b)	1,276	1,206
Cash and cash equivalents	6(a)	6,018	9,447
Total current assets		8,091	11,902
Total Assets		\$ 142,987	\$ 135,510
EQUITY			
Capital and reserves			
Share capital	7	\$ 393,365	\$ 389,227
Reserves		94,749	84,031
Deficit		(351,541)	(345,295)
Total Equity		136,573	127,963
LIABILITIES			
Non-current liabilities			
Deferred income taxes		195	1,514
Total non-current liabilities		195	1,514
Current liabilities			
Payable to a related party	8(b)	236	383
Trade and other payables	9	5,983	5,650
Total current liabilities		6,219	6,033
Total Liabilities		6,414	7,547
Total Equity and Liabilities		\$ 142,987	\$ 135,510

Continuance of Operations (note 1)
Commitments (note 12)

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/ Peter Mitchell

Peter Mitchell
Director

Northern Dynasty Minerals Ltd.

Condensed Consolidated Interim Statements of Comprehensive (Income) Loss

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

	Notes	Three months ended March 31	
		2015	2014 (note 2(b))
Expenses			
Exploration and evaluation expenses	11	\$ 2,074	\$ 4,028
General and administrative expenses	11	1,816	2,670
Legal, accounting and audit		3,248	155
Share-based compensation	7(c)	360	2,099
Loss from operating activities		7,498	8,952
Foreign exchange loss (gain)		84	(230)
Interest income		(18)	(241)
Loss before tax		7,564	8,481
Deferred Income tax		(1,318)	(18)
Loss for the period		\$ 6,246	\$ 8,463
Other comprehensive (income) loss			
Items that may be reclassified subsequently to loss			
Foreign exchange translation gain	7(d)	(11,182)	(4,403)
Decrease in fair value of available-for-sale financial assets	4	92	-
Other comprehensive income for the period		\$ (11,090)	\$ (4,403)
Total comprehensive (income) loss for the period		\$ (4,844)	\$ 4,060
Basic and diluted loss per common share	10	\$ 0.05	\$ 0.09

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	
		2015	2014
Cash flows from operating activities			
Loss for the period		\$ (6,246)	\$ (8,463)
Adjustments for items not affecting cash or operating activities:			
Depreciation		76	74
Deferred income tax recovery		(1,318)	(18)
Foreign exchange loss (gain)		84	(56)
Interest received on cash held		(18)	(108)
Interest receivable on loan prior to settlement		-	(133)
Loss on disposal of plant and equipment		-	8
Share-based compensation		360	2,099
		(816)	1,866
Changes in non-cash working capital items			
Restricted cash		37	-
Amounts receivable and prepaid expenses		364	63
Trade and other payables		68	(670)
Payable to related party		(147)	(158)
		322	(765)
Net cash used in operating activities		(6,740)	(7,362)
Cash flows from investing activities			
Acquisition of plant and equipment	3	(28)	-
Interest received on cash held		18	108
Net cash (used in) from investing activities		(10)	108
Cash flows from financing activity			
Special Warrants issued, net of issuance costs	7(b)	3,406	-
Net cash from financing activity		3,406	-
Net decrease in cash and cash equivalents		(3,344)	(7,254)
Effect of exchange rate fluctuations on cash held		(85)	85
Cash and cash equivalents at beginning of the period		9,447	25,795
Cash and cash equivalents at end of the period	6(a)	\$ 6,018	\$ 18,626

Non-cash investing and financing activities:

The Company converted Special Warrants on a one-for-one basis into common shares at no additional cost to holder (note 7(b))
The Group received title to mineral claims in settlement of a loan receivable in 2014 (note 3)

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)

	Share capital		Reserves					Deficit	Total equity
	Number of shares	Amount	Equity settled share-based payments reserve	Foreign currency translation reserve (note 7(d))	Investment revaluation reserve	Special Warrants (note 7(b))			
Balance at January 1, 2014	95,009,864	\$ 389,227	\$ 51,417	\$ 7,234	\$ (2)	\$ -	\$ (313,948)	\$ 133,928	
Share-based compensation	-	-	2,099	-	-	-	-	2,099	
Loss for the period	-	-	-	-	-	-	(8,463)	(8,463)	
Other comprehensive income for the period	-	-	-	4,403	-	-	-	4,403	
Total comprehensive loss								(4,060)	
Balance at March 31, 2014	95,009,864	\$ 389,227	\$ 53,516	\$ 11,637	\$ (2)	\$ -	\$ (322,411)	\$ 131,967	
Balance at January 1, 2015	95,009,864	\$ 389,227	\$ 55,294	\$ 17,179	\$ 6	\$ 11,552	\$ (345,295)	\$ 127,963	
Conversion of Special Warrants into common shares (note 7(b))	9,943,589	4,138	-	-	-	(4,138)	-	-	
Special warrants issued, net of transaction costs	-	-	-	-	-	3,406	-	3,406	
Share-based compensation	-	-	360	-	-	-	-	360	
Loss for the period	-	-	-	-	-	-	(6,246)	(6,246)	
Other comprehensive income for the period	-	-	-	11,182	(92)	-	-	11,090	
Total comprehensive income								4,844	
Balance at March 31, 2015	104,953,453	\$ 393,365	\$ 55,654	\$ 28,361	\$ (86)	\$ 10,820	\$ (351,541)	\$ 136,573	

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, 2015 and 2014

(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 period ended March 31, 2015, include financial information for the Company and its subsidiaries (note 2(c)) (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 interest, are 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.

As at March 31, 2015, the Group had \$6.0 million in cash and cash equivalents for its operating requirements. 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 casts substantial doubt about the Company'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 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 has appealed the Court's decision to the 9th Circuit Court of Appeals. 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 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. 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.

Northern Dynasty Minerals Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

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

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, 2014, which were filed under the Company's profile on SEDAR at www.sedar.com. Accordingly, accounting policies applied other than as noted in (e) below are the same as those applied in the Group's annual financial statements. These Financial Statements were authorized for issue by the Audit and Risk Committee of the Board of Directors on May 14, 2015.

(b) *Basis of Preparation*

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

Comparative information in the statement of loss and comprehensive loss has been adjusted to separately reflect legal, accounting and audit expenditures incurred by the Group in response to the EPA's activities surrounding the Pebble Project. These expenditures were previously included under general and administrative expenditures. There is no impact on loss and comprehensive loss for the period or basic and diluted loss per share. Statements of financial position, cash flows and changes in equity are not affected.

(c) *Basis of Consolidation*

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

Northern Dynasty Minerals Ltd.

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Name of Subsidiary	Place of Incorporation	Principal Activity	Ownership
0796412 BC Ltd.	British Columbia, Canada	Not active. Wholly-owned subsidiary of the Company.	100%
3537137 Canada Inc. ¹	Canada	Holding Company. Wholly-owned subsidiary of the Company.	100%
Pebble Services Inc.	Nevada, USA	Management and services company. Wholly-owned subsidiary of the Company.	100%
Northern Dynasty Partnership	Alaska, USA	Holds 99.9% of the Pebble Limited Partnership ("PLP") and 100% of Pebble Mines Corp.	100% (indirect)
Pebble Limited Partnership	Alaska, USA	Holding Company and Exploration of the Pebble Project.	100% (indirect)
Pebble Mines Corp.	Delaware, USA	General Partner. Holds 0.1% of PLP.	100% (indirect)
Pebble West Claims Corporation ²	Alaska, USA	Holding Company. Wholly-owned subsidiary of PLP.	100% (indirect)
Pebble East Claims Corporation ³	Alaska, USA	Holding Company. Wholly-owned subsidiary of PLP.	100% (indirect)
U5 Resources Inc. ⁴	Nevada, USA	Holding Company. Wholly-owned subsidiary of the Company.	100%

Notes to the table above:

1. Holds 20% interest in the Northern Dynasty Partnership. The Company holds the remaining 80% interest.
2. Holds certain of the Pebble Project claims.
3. Holds certain of the Pebble Project claims and claims located south and west of the Pebble Project claims. In January 2015, two of the Company's wholly-owned subsidiaries, Kaskanak Inc. and its wholly-owned parent, Kaskanak Copper LLC, were merged with Pebble East Claims Corporation, with the latter surviving the merger.
4. Holds certain mineral claims located north of the Pebble Project claims.

(d) 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, 2014.

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

As of January 1, 2015 the Group has not adopted any new amendments, interpretations, revised and new standards.

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

Effective for the Group's financial year commencing on January 1, 2016

- Amendments to IAS 1, *Presentation of Financial Statements*
- Amendments to IAS 16, *Property, Plant and Equipment*
- Amendments to IAS 27, *Separate Financial Statements*

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For the three months ended March 31, 2015 and 2014

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

- Amendments to IAS 28, *Investments in Associates*
- Amendments to IAS 38, *Intangible Assets*
- Amendments to IFRS 10, *Consolidated Financial Statements*
- Amendments to IFRS 11, *Joint Arrangements*

The Group has not early adopted these revised standards and is currently assessing the impact, if any, that these amendments will have on the Group's Financial Statements.

Effective for annual periods commencing on or after July 1, 2016

- Annual improvements to IFRS 2012 – 2014 Cycle ("*AIP 2012-2014*")

The Group anticipates that AIP 2012-2014, which has amendments to five standards, will have no material effect on the Group's consolidated financial statements.

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

- IFRS 9, *Financial Instruments* ("IFRS 9"), replaces IAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The standard incorporates a number of improvements: a) includes a logical model for classification and measurement (IFRS 9 provides for principle-based approach to classification which is driven by cash flow characteristics and the business model in which an asset is held); b) includes a single, forward-looking "expected loss" impairment model (IFRS 9 will require entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timely basis); and c) includes a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity (IFRS 9's new model aligns the accounting treatment with risk management activities). IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group anticipates that the adoption of IFRS 9 will have no material impact on its financial statements given the extent of its current use of financial instruments in the ordinary course of business.

- IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), which was issued by the IASB in May 2014, supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions involving Advertising Services*. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and certainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. On April 28, 2015, the IASB tentatively decided to defer the effective date of IFRS 15 by one year with a narrow scope exposure draft to be issued for comment thereon.

The Group anticipates that the adoption of IFRS 15 will have no material impact on its financial statements given the extent of revenue from contracts with customers in the ordinary course of business.

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For the three months ended March 31, 2015 and 2014

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

3. MINERAL PROPERTY, PLANT AND EQUIPMENT

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

<i>Three months ended March 31, 2015</i>	Mineral property interest	Plant and equipment	Total
Cost			
Beginning balance	\$ 112,541	\$ 1,155	\$ 113,696
Additions	-	28	28
Ending balance	\$ 112,541	\$ 1,183	\$ 113,724
Accumulated depreciation			
Beginning balance	\$ -	\$ (278)	\$ (278)
Charge for the period	-	(76)	(76)
Ending balance	\$ -	\$ (354)	\$ (354)
Foreign currency translation difference	21,343	183	21,526
Net carrying value – Ending balance	\$ 133,884	\$ 1,012	\$ 134,896

<i>Three months ended March 31, 2014</i>	Mineral property interest	Plant and equipment	Total
Cost			
Beginning balance	\$ 106,697	\$ 1,222	\$ 107,919
Additions ⁽¹⁾	5,844	-	5,844
Disposals	-	(65)	(65)
Ending balance	\$ 12,541	\$ 1,157	\$ 113,698
Accumulated depreciation			
Beginning balance	\$ -	\$ -	\$ -
Charge for the period	-	(74)	(74)
Eliminated on disposal	-	5	5
Ending balance	\$ -	\$ (69)	\$ (69)
Foreign currency translation difference	\$ 4,293	\$ 47	\$ 4,340
Net carrying value – Ending balance	\$ 116,834	\$,135	\$ 117,969
Net carrying value – Beginning balance	\$ 106,827	\$ 1,223	\$ 108,050

(1) Additions to mineral property interest during the three-month period ended March 31, 2014, represent the transfer to the Group of a 100% interest in certain mineral claims located north and north west of the Pebble Project in settlement of a loan to a third party.

The Group's mineral property represents the Pebble Project and adjacent mineral claims, 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. Mineral rights relating to the Pebble Project were acquired by the Group in 2001. In July 2007, the Group established the Pebble Limited Partnership (the "Pebble Partnership") to advance the Pebble Project toward the feasibility stage. The Group's contribution to the Pebble Partnership was

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

the Pebble Project. Until December 2013, the Pebble Partnership was under joint control and funded by the Group's partner who provided approximately \$595 million (US\$573 million) in funding. The Group reacquired a 100% interest in the Pebble Partnership and control of the Pebble Project in December 2013.

4. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's available-for-sale financial asset is comprised of investments in marketable securities of Canadian publicly listed companies.

	March 31 2015	December 31 2014
Marketable securities	\$ 193	\$ 287

The Group has determined the fair value of the marketable securities that comprise its available-for-sale financial assets using their quoted market prices, which are level 1 inputs in the fair value hierarchy.

5. AMOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31 2015	December 31 2014
Sales tax receivable	\$ 76	\$ 70
Amounts receivable	86	143
Prepaid expenses	442	749
Total	\$ 604	\$ 962

6. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and Cash Equivalents

	March 31 2015	December 31 2014
Business and savings accounts	\$ 5,700	\$ 9,130
Guaranteed investment certificates	318	317
Total	\$ 6,018	\$ 9,447

(b) Restricted Cash

At March 31, 2015, restricted cash in the amount of \$1,276 (December 31, 2014 – \$1,206) was held by the Pebble Partnership for certain equipment demobilization expenses relating to its activities undertaken when it was subject to joint control. This cash is not available for general use by the Group. The Group has a current obligation (note 9) to refund any unutilized balance upon the earlier of (i) sixty days from the date of completion of demobilization and (ii) December 31, 2015.

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For the three months ended March 31, 2015 and 2014

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

7. CAPITAL AND RESERVES

(a) Authorized Share Capital

At March 31, 2015, the Company's authorized share capital comprised an unlimited (2014 – unlimited) number of common shares with no par value. All issued shares are fully paid.

(b) Special Warrants

In December 2014, the Company initiated a private placement financing (the "Private Placement") of 35,962,735 share purchase warrants (the "Special Warrants") at a price of \$0.431 per Special Warrant for gross proceeds of approximately \$15,500, of which \$11,905 was received in December 2014 and \$3,595 was received in January 2015. The Group incurred a total of \$542 in advisory, finders, regulatory, and legal fees on the Private Placement, of which \$353 was incurred in December 2014 and \$189 in January 2015.

Continuity of Special Warrants	Number
Balance at January 1, 2015	27,622,642
Issued January 2, 2015	1,160,093
Issued January 12, 2015	7,180,000
Automatic conversion	(9,943,589)
Balance at March 31, 2015	26,019,146

Each Special Warrant will convert, without payment of any additional consideration by the holder, into one common share of the Company, either at the option of the holder or automatically within a maximum of a two year period from the issuance date. During the three month period ended March 31, 2015, the Company issued 9,943,589 of its common shares upon the automatic conversion of 9,943,589 Special Warrants.

The Special Warrants do not confer on their holders any right as a shareholder of the Company, including but not limited to any right to vote at any meeting of shareholders or any other proceedings of the Company, other than meetings by holders of Special Warrants, or any right to receive any dividend or other distribution.

(c) Share Purchase Option Compensation Plan

The following reconciles share purchase options ("Options") outstanding for the three months ended March 31, 2015 and 2014:

	2015		2014	
	Number of Options	Weighted average exercise price (\$/Option)	Number of Options	Weighted average exercise price (\$/Option)
Continuity of Options				
Balance at beginning of period	7,687,000	1.95	3,735,700	4.13
Granted	–	–	4,494,600	1.77
Expired	–	–	(1,825,100)	5.13
Forfeited	(110,000)	2.53	(500)	1.77
Balance at end of period	7,577,000	1.94	6,404,700	2.19

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For the three months ended March 31, 2015 and 2014

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

For the Options granted during the three month period ended on March 31, 2014, the weighted average fair value was estimated at \$0.85 per option and was based on the Black-Scholes option pricing model using the following weighted average assumptions:

Assumptions	
Risk-free interest rate	1.50%
Expected life	4.45 years
Expected volatility	68%
Grant date share price	\$1.65
Expected dividend yield	Nil

The following table summarizes information about Options outstanding at March 31, 2015:

Exercise prices (\$)	Options outstanding			Options exercisable		
	Number of Options outstanding	Weighted average exercise price (\$/Option)	Weighted average remaining contractual life (years)	Number of Options exercisable	Weighted average exercise price (\$/Option)	Weighted average remaining contractual life (years)
0.72	200,000	0.72	4.46	66,667	0.72	4.46
0.89	1,180,500	0.89	3.95	401,834	0.89	3.96
1.77	4,412,400	1.77	3.39	4,412,400	1.77	3.39
3.00	1,757,100	3.00	0.79	1,757,100	3.00	0.79
15.44	27,000	15.44	0.96	27,000	15.44	0.96
	7,577,000	1.94	2.89	6,665,001	2.09	2.74

(d) Foreign Currency Translation Reserve

The foreign currency translation reserve represents accumulated exchange differences arising on the translation of the results and net assets of the Pebble Partnership and U5 Resources Inc., which have a US dollar functional currency, to the Group's reporting currency which is the Canadian dollar.

8. RELATED PARTY BALANCES AND TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation (note 2(c)). Details of transactions and balance with other related parties are disclosed below:

(a) Transactions and Balances with Key Management Personnel

The aggregate value of transactions with key management personnel, being directors and senior management including the Senior Vice President, Corporate Development, Vice President ("VP") Corporate Communications, VP, Engineering, VP, Public Affairs, Chief Executive Officer of the Pebble Partnership and Chairman of Pebble Mines Corp. was as follows:

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2015 and 2014

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

Compensation	Three months ended March 31	
	2015	2014
Short-term employee benefits ⁽ⁱ⁾	\$ 608	\$ 993
Share-based compensation	266	1,487
Total	\$ 874	\$ 2,406

(i) Short-term employee benefits include salaries, directors' fees and amounts paid to HDSI (see (b)(i)) for services provided to the Group by certain HDSI personnel who serve as executive directors and officers for the Group.

(b) Transactions and Balances with other Related Parties

The aggregate value of transactions and outstanding balances with other related parties were as follows:

Transactions	Three months ended March 31	
	2015	2014
Entity with significant influence ⁽ⁱ⁾		
Services rendered to the Group	\$ 1,034	\$ 1,465
Reimbursement of third party expenses incurred on behalf of the Group	103	298
Total paid by the Group	\$ 1,137	\$ 1,763

Balances payable to related parties	March 31	December 31
	2015	2014
Entity with significant influence over the Group ⁽ⁱ⁾	\$ 236	\$ 383
Total	\$ 236	\$ 383

(i) Hunter Dickinson Services Inc. ("HDSI"), a private company, provides geological, corporate development, administrative and management services to the Group and its subsidiaries at annually set rates pursuant to a management services agreement. HDSI also incurs third party costs on behalf of the Group which are reimbursed by the Group at cost. The Group may make pre-payments for services under terms of the services agreement. Several directors and other key management personnel of HDSI, who are close business associates, are also key management personnel of the Group.

9. TRADE AND OTHER PAYABLES

Falling due within the year	March 31	December 31
	2015	2014
Trade	\$ 4,707	\$ 4,444
Other (note 6(b))	1,276	1,206
Total	\$ 5,983	\$ 5,650

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Notes to the Condensed Consolidated Interim Financial Statements

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

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	
	2015	2014
Loss attributable to common shareholders	\$ 6,246	\$ 8,463
Weighted average number of common shares outstanding and common share equivalents (000s)	130,082	95,010

Due to their mandatory conversion requirements with no additional payments, Special Warrants (note 7(b)) are included in the calculation of basic loss per share. Diluted loss per share does not include the effect of share purchase options outstanding as they are anti-dilutive.

11. EMPLOYMENT COSTS

The amount of salaries and benefits included in expenses are as follows:

	Three months ended March 31	
	2015	2014
Exploration and evaluation expenses	\$ 507	\$ 981
General and administration expenses	1,377	1,497
Share-based compensation	360	2,099
Total	\$ 2,244	\$ 4,577

12. COMMITMENTS AND CONTINGENCIES

The Group has the following commitments as of March 31, 2015:

	2015 (Post reporting period) (000s)	2016 (000s)	Total (000s)
Anchorage office lease ⁽ⁱ⁾	US\$ 358	US\$ 407	US\$ 765
Anchorage communication lease ⁽ⁱⁱ⁾	48	-	48
Pebble Project site lease ⁽ⁱⁱⁱ⁾	65	-	65
Total	US\$ 471	US\$ 407	US\$ 878
Total in Canadian dollars ^(iv)	\$ 597	\$ 516	\$ 1,113

(i) Original term of 5 years expires on October 31, 2016.

(ii) Lease term expires on July 31, 2015.

(iii) Lease for accommodation at site, expires on April 30, 2015.

(iv) Converted at closing rate of \$1.2666/US\$ on March 31, 2015, as per Bank of Canada.

The Group has a sub-lease agreement in respect of a portion of the Anchorage office space subject to the operating lease for an average annual rent of approximately US\$218,000 (\$277). The term of the sub-lease expires on October 31, 2016.



MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE MONTHS ENDED MARCH 31, 2015

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1.1 Date

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements ("Interim Financial Statements") for the three months ended March 31, 2015 and the audited consolidated financial statements and MD&A of Northern Dynasty Minerals Ltd. ("Northern Dynasty" or the "Company") for the year ended December 31, 2014 as publicly filed under the Company's profile on SEDAR at www.sedar.com.

The Company reports in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee (together, "IFRS"). The following disclosure and associated Financial Statements are presented in accordance with IFRS. This MD&A is prepared as of May 14, 2015. All dollar amounts herein are expressed in Canadian dollars, unless otherwise specified.

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This discussion includes certain statements that may be deemed "forward-looking statements" or "forward looking information" within the meaning of Canadian and United States securities law. Wherever possible, words such as "plans", "expects", or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify forward-looking information.

Forward-looking information may include, but is not limited to,

- our expectations regarding permitting of a mine at the Pebble Project;
- our expected financial performance in future periods;
- our plan of operations, including our plans to carry out exploration and development activities;
- our ability to raise capital for exploration and development activities;
- our expectations regarding the exploration and development potential of the Pebble Project; 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 the Company 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;
- that we will be ultimately able to obtain permitting for a mine at the Pebble Project;
- that the market prices of copper and gold will not decline significantly nor for a lengthy period of time;
- that we will be able to secure sufficient working capital necessary for the continued environmental assessment and permitting activities and engineering work which is a precondition to any potential development of the Pebble Project which would then require engineering and financing for ultimate construction;
- the cost of carrying out exploration and development activities on the Pebble Project;
- that key personnel will continue their employment with us;
- our ability to obtain the necessary expertise in order to carry out our exploration and development activities within the planned time periods; and
- our ability to obtain adequate financing on acceptable terms.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

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

- ability to obtain permitting for a mine at the Pebble Project;
- ability to continue to fund the exploration and development activities;
- the speculative nature of the mineral resource exploration business;
- the exploration stage of the Pebble Project;
- the lack of known reserves on the Pebble Project;
- inability to establish that the Pebble Project contains commercially viable deposits of ore;
- ability to recover the financial statement carrying values of the Pebble Project if the Company ceases to continue on a going concern basis;
- loss of the services of any of the Company's executive officers;
- a history of financial losses;
- ability to continue on a going concern basis;

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- the volatility of gold, copper and molybdenum prices;
- the inherent risk involved in the exploration, development and production of minerals;
- changes in, or the introduction of new, government regulations relating to mining, including laws and regulations relating to the protection of the environment;
- the presence of unknown environmental hazards at the Pebble Project;
- potential claims by third parties against the Pebble Project;
- inability to insure our operations against all risks;
- the highly competitive nature of the mining business;
- litigation risks and the inherent uncertainty of litigation;
- the historical volatility in the Company's share price;
- potential conflicts of interest relating to the Company's directors and officers;
- the potential dilution to current shareholders due to any future equity financings;
- the loss of services of independent contractors; and
- the potential dilution to current shareholders from the exercise of share purchase options to purchase the Company's shares.

This list is not exhaustive for the factors that may affect any of the Company's 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.

Our forward-looking statements 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 not place undue reliance on forward-looking information.

Since Northern Dynasty acquired the Pebble Project in 2001, the Company and subsequently the Pebble Limited Partnership completed significant exploration programs, resource estimates, environmental data collection and technical studies, and engineering of various possible mine development models and related infrastructure, power and transportation systems. As a consequence of several factors, including the US Environmental Protection Agency opposition to the Pebble Project, the withdrawal of Anglo American plc from the project and the passage of time, previous technical and engineering studies related to mine-site and infrastructure development are considered to have very uncertain and perhaps little value at this time. Environmental baseline studies and data collection remain a significant legacy asset of the Company from this period.

For more information on the Company, investors should review the Company's annual information form and home jurisdiction filings that are available on SEDAR at www.sedar.com and the Company's annual report on Form 20-F filed with the United States Securities Exchange Commission (the "SEC") at www.sec.gov.

The Company reviews its forward looking statements on an ongoing basis and updates this information when circumstances require it.

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Cautionary Note to Investors Concerning Estimates of Measured and Indicated Resources

The following section uses the terms "measured resources" and "indicated resources". The Company advises investors that although those terms are recognized and required by Canadian regulations, the SEC does not recognize them. **Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into reserves.**

Cautionary Note to Investors Concerning Estimates of Inferred Resources

The following section uses the term "inferred resources". The Company advises investors that although this term is recognized and required by Canadian regulations, the SEC does not recognize it. "Inferred resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of a mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of economic studies, except in rare cases. **Investors are cautioned not to assume that all or any part of an inferred resource exists, or is economically or legally mineable.**

1.2 Overview

Northern Dynasty is a mineral exploration company which, via its subsidiaries, holds a 100% interest in mining claims on State of Alaska land in southwest Alaska, USA ("US") that are part of or in the vicinity of the Pebble Copper-Gold-Molybdenum Project (the "Pebble Project" or "Pebble").

The Pebble Project is an initiative to develop one of the world's most important mineral resources when measured by aggregate contained metals. Current mineral resources in the Pebble deposit at a 0.30% copper equivalent (CuEQ)¹ cut-off grade comprise:

- 6.44 billion tonnes of Measured and Indicated Mineral Resources grading 0.40% copper, 0.34 g/t gold, 240 ppm molybdenum and 1.66 g/t silver, containing 57 billion pounds of copper, 70 million ounces of gold, 3.4 billion pounds of molybdenum and 344 million ounces of silver; and
- 4.46 billion tonnes of Inferred Mineral Resources grading 0.25% copper, 0.26 g/t gold, 222 ppm molybdenum and 1.19 g/t silver, containing 24.5 billion pounds of copper, 37 million ounces of gold, 2.2 billion pounds of molybdenum and 170 million ounces of silver.

Over \$797 million has been invested to advance the project, of which approximately \$595 million (US\$573 million) was provided by a wholly-owned subsidiary of Anglo American plc which participated in the Pebble Limited Partnership (the "Pebble Partnership") from 2007 to 2013², and the remainder from 2001 to mid-2007 directly by Northern Dynasty.

The work has included comprehensive deposit delineation, and environmental, socioeconomic and engineering studies of the Pebble deposit. A review of previous analyses of the Pebble Project was initiated in

¹ For additional details, see section 1.2.1 below.

² During the period 2007 to 2013, the Pebble Partnership expended several hundred million dollars on the Pebble Project, a major portion of which was spent on exploration programs, resource estimates, environmental data collection and technical studies, with a significant portion spent on engineering of various possible mine development models, as well as related infrastructure, power and transportation systems. As a consequence of several factors, including the EPA opposition to the Pebble Project, the withdrawal of Anglo American plc from the project and the passage of time, technical and engineering studies related to mine-site and infrastructure development are considered to have very uncertain and perhaps little value at this time. Environmental baseline studies and data collection remains a significant legacy asset of the Company from this period.

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late 2013. In 2014, the Company commissioned a technical report to provide updated information on the mineral resources and metallurgy for the project.

In February 2014, the US Environmental Protection Agency (the "EPA") announced the initiation of a regulatory process under the Clean Water Act to consider restriction or a prohibition on mining activities associated with the Pebble deposit. Much of the Company's effort since that time has been focused around providing information and responses to this action through the Pebble Partnership.

In 2015, the Company is:

- engaged in a multi-dimensional strategy, described in section 1.2.1.2 below, to address the EPA's pre-emptive regulatory process under Section 404(c) of the Clean Water Act and prepare documentation to position the Pebble Project to initiate federal and state permitting under National Environmental Policy Act ("NEPA");
- continuing to maintain an active corporate presence in Alaska to advance relationships with political and regulatory offices of government, Alaska Native partners and other stakeholder groups; and
- working to advance a potential partner(s) transaction.

Maintenance and environmental monitoring activities were carried out at the Pebble Project site during the quarter and will continue throughout the year. In addition in January 2015, the Company completed the final tranche of a \$15.5 million financing, of which \$11.9 million was closed in December 2014.

At March 31, 2015, Northern Dynasty has \$6.0 million in cash and cash equivalents available for its operating requirements. The Company continues to seek additional financing and 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 may include any of or a combination of, debt, equity and/or contributions from possible new Pebble Project participants. Additional financing will be required to progress any material work programs at the Pebble Project. There can be no assurances that the Company will be successful in obtaining additional financing. If the Company is unable to raise the necessary capital resources to meet obligations as they come due, the Company will at some point have to reduce or curtail its operations.

1.2.1 Pebble Project

The Pebble property ("Pebble") is located in southwest Alaska, approximately 17 miles (27 kilometers) from the villages of Iliamna and Newhalen, and approximately 200 miles (320 kilometers) southwest of the city of Anchorage. The property consists of 2,402 mineral claims. Situated approximately 1,000 feet above sea-level and 65 miles from tidewater on Cook Inlet, the site conditions are favorable for sound mine site and infrastructure development.

Mineralization indicating the presence of the Pebble deposit was discovered by a prior operator in 1987, and by 1997 an initial outline of a deposit of copper, gold and molybdenum had been identified.

Northern Dynasty acquired the right to earn an interest in the Pebble property in 2001. Exploration since that time has led to an overall expansion of the Pebble deposit, including the discovery of a substantial volume of higher grade mineralization in the eastern part of the deposit. Another porphyry copper-gold-molybdenum deposit, a porphyry copper zone, a gold-copper skarn occurrence and gold showings have been identified along the extensive northeast-trending mineralized system that underlies the property.

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1.2.1.1 Technical Programs

As a part of the overall review of the Pebble Project, in 2014 the Company commissioned a Technical Report in accordance with National Instrument ("NI") 43-101 (the "2014 Technical Report") to provide updated information on the mineral resources and metallurgy for the project. The technical report, entitled "2014 Technical Report on the Pebble Project, Southwest Alaska, USA, "authored by J. David Gaunt, PGeo., James Lang, PGeo., Eric Titley, PGeo., and Ting Lu, PEng., is filed under the Company's profile at www.sedar.com.

Other technical work was focused on technical studies or site activities, including property and facilities maintenance, environmental monitoring and community engagement.

Mineral Resources

The estimate of the mineral resources in the Pebble deposit incorporated in the 2014 Technical Report is based on drilling to the end of 2013, and includes approximately 59,000 assays obtained from 699 drill holes. The resource was estimated using ordinary kriging by David Gaunt, PGeo., a qualified person who is not independent of Northern Dynasty.

The mineral resource tabulation, as shown below, uses copper equivalency that incorporates the contribution of copper, gold and molybdenum. Although the estimate includes silver, it was not used as part of the copper equivalency calculation in order to facilitate comparison with previous estimates which did not consider the silver content or its potential economic contribution. A base case cut-off of 0.3% CuEq is highlighted.

Pebble Resource Estimate 2014

Cut-off CuEq %	CuEq%	Tonnes	Cu (%)	Au (g/t)	Mo (ppm)	Ag (g/t)	Cu Blbs	Au Moz	Mo Blbs	Ag Moz
Measured										
0.3	0.65	527,000,000	0.33	0.35	178	1.66	3.83	5.93	0.21	28.13
0.4	0.66	508,000,000	0.34	0.36	180	1.68	3.80	5.88	0.20	27.42
0.6	0.77	279,000,000	0.40	0.42	203	1.84	2.46	3.77	0.12	16.51
1.0	1.16	28,000,000	0.62	0.62	302	2.27	0.38	0.56	0.02	2.04
Indicated										
0.3	0.77	5,912,000,000	0.41	0.34	245	1.66	53.42	64.62	3.20	315.50
0.4	0.82	5,173,000,000	0.45	0.35	260	1.75	51.31	58.21	2.97	291.05
0.6	0.99	3,450,000,000	0.55	0.41	299	1.99	41.82	45.47	2.27	220.71
1.0	1.29	1,411,000,000	0.77	0.51	343	2.42	23.95	23.14	1.07	109.79
Measured + Indicated										
0.3	0.76	6,439,000,000	0.40	0.34	240	1.66	56.76	70.38	3.40	343.63
0.4	0.81	5,681,000,000	0.44	0.35	253	1.75	55.09	63.92	3.17	319.62
0.6	0.97	3,729,000,000	0.54	0.41	291	1.98	44.38	49.15	2.39	237.37
1.0	1.29	1,439,000,000	0.76	0.51	342	2.42	24.11	23.60	1.08	111.97

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Cut-off CuEq %	CuEq%	Tonnes	Cu (%)	Au (g/t)	Mo (ppm)	Ag (g/t)	Cu Blbs	Au Moz	Mo Blbs	Ag Moz
Inferred										
0.3	0.54	4,460,000,000	0.25	0.26	222	1.19	24.55	37.25	2.18	170.49
0.4	0.68	2,630,000,000	0.33	0.30	266	1.39	19.14	25.38	1.55	117.58
0.6	0.89	1,290,000,000	0.48	0.37	291	1.79	13.66	15.35	0.83	74.28
1.0	1.20	360,000,000	0.69	0.45	377	2.27	5.41	5.14	0.30	25.94

Notes to above table:

These resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards. Inferred Mineral Resources are considered to be too speculative to allow the application of technical and economic parameters to support mine planning and evaluation of the economic viability of the project. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies, or economic studies, except for Preliminary Economic Assessments as defined under 43-101. It cannot be assumed that all or any part of the Inferred Resources will ever be upgraded to a higher category.

Copper equivalent calculations used metal prices of \$1.85/lb for copper, \$902/oz for gold and \$12.50/lb for molybdenum, and recoveries of 85% for copper 69.6% for gold, and 77.8% for molybdenum in the Pebble West zone and 89.3% for copper, 76.8% for gold, 83.7% for molybdenum in the Pebble East zone.

Contained metal calculations are based on 100% recoveries.

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

All mineral resource estimates, cut-offs and metallurgical recoveries are subject to change as a consequence of more detailed economic analyses that would be required in pre-feasibility and feasibility studies.

The resource estimate is constrained by a conceptual pit that was developed using a Lerchs-Grossman algorithm and is based on the parameters set out below:

Parameter		Units	Cost (\$)	Value	
Metal Price	Gold	\$/oz	-	1540.00	
	Copper	\$/lb	-	3.63	
	Molybdenum	\$/lb	-	12.36	
Metal Recovery	Copper	%	-	89	
	Gold	%	-	72	
	Molybdenum	%	-	82	
Operating Cost	Mining (mineralized material or waste)	\$/ton mined	1.01	-	
	Added haul lift from depth	\$/ton/bench	0.03	-	
	Process				
	- Process cost adjusted by total crushing energy	\$/ton milled	4.40	-	
	- Transportation	\$/ton milled	0.46	-	
	- Environmental	\$/ton milled	0.70	-	
	- G&A	\$/ton milled	1.18	-	
Block Model	Current block model	ft	-	75 x 75 x 50	
Density	Mineralized material and waste rock	-	-	Block model	
Pit Slope Angles	-	degrees	-	42	

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Environmental and Socioeconomic

Environmental Baseline Studies

Extensive environmental baseline data has been collected since 2004, with close and ongoing attention given to designing and planning a project that protects clean water, healthy fish and wildlife populations and other natural resources in the region.

In January 2012, the Pebble Partnership publicly released the 27,000-page Environmental Baseline Document ("EBD") for the Pebble Project, characterizing 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.

The EBD provides information and analysis on baseline physical, chemical, biological and social conditions based upon data collection by the Pebble Partnership environmental study team from 2004 to 2008. Its purpose is to provide the public, regulatory agencies and the Pebble Partnership with a detailed compendium of pre-development environmental and socioeconomic conditions in the project area. Research for the Pebble EBD was conducted by more than 40 respected independent research firms, utilizing over 100 scientific experts and engineering groups, laboratories and support services. Researchers were selected for their specific areas of expertise and Alaskan experience, with cooperating government agencies participating in several studies. Information for the EBD was gathered through field studies, laboratory tests, review of government records and other third-party sources, and interviews with Alaska residents. The EBD study is available at www.pebbleresearch.com.

The Pebble Partnership facilitated a four-day workshop with federal and state regulatory agencies in January 2012 to present the EBD findings. The workshop was broadcast publicly via the Internet. A series of public presentations was also coordinated in more than 20 communities throughout southwest Alaska and elsewhere around the State to present the EBD findings. Public and expert review of the EBD was facilitated under the Keystone initiative³.

Environmental baseline data reports through 2014 are being integrated with the database from the EBD so that this information can be shared with state/federal agencies and the public as part of the future permitting process under NEPA. Environmental monitoring at reduced levels is planned to continue in 2015.

Community Engagement

An active program of stakeholder outreach has also been undertaken at Pebble, which has included community meetings, stakeholder visits, presentations and event appearances, as well as stakeholder tours to the Pebble Project site and to operating mines in the United States and Canada. The focus of these outreach activities was to update stakeholders on the Pebble Project, to receive feedback on stakeholder priorities and concerns and to advise participants about modern mining practices.

Stakeholder outreach and community engagement is ongoing, although at a reduced scale commensurate with other project activities. As the Pebble Project advances toward the completion of a Project Description and preparation for project permitting under NEPA, it is expected that the Pebble Partnership will initiate further stakeholder engagement programs to involve stakeholders in the planning process.

³ An independent stakeholder dialogue process concerning the Pebble Project initiated in late 2010 by the Keystone Center – a non-profit organization specializing in facilitating stakeholder-driven consultation processes concerning contentious, science-based issues.

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1.2.1.2 Legal Matters

i) Environmental Protection Agency and Bristol Bay Watershed Assessment

In February 2011, the EPA announced it would undertake a Bristol Bay Watershed Assessment study focusing on the potential effects of large-scale mine development in Bristol Bay and, specifically the Nushagak and Kvichak area drainages. This process was ostensibly initiated in response to calls from persons and groups opposing the Pebble Project for the EPA to pre-emptively use its asserted authority under Section 404(c) of the Clean Water Act to prohibit discharges of dredged or fill material in waters of the US within these drainages; however, evidence exists that EPA had been considering a Section 404(c) veto of the Pebble Project at least as far back as 2008 – two years before it received a petition from several Alaska Native tribes.

The EPA's first draft Bristol Bay Watershed Assessment ("BBWA") report was released on May 18, 2012. In the Company's opinion after review with its consultants, the draft report is a fundamentally flawed document. By the EPA's own admission, it evaluated the effects of a "hypothetical project" that has neither been defined nor proposed by the Pebble Partnership, and for which key environmental mitigation strategies have not yet been developed and, hence would not yet be known. It is believed by the Company that the assessment was rushed because it was based on studies conducted over only one year in an area of 20,000 square miles. In comparison, the Pebble Project has studied the ecological and social environment surrounding Pebble for nearly a decade. The EPA also failed to adequately consider the comprehensive and detailed data that the Pebble Partnership provided as part of its 27,000-page Environmental Baseline Document.

The EPA called for public comment on the quality and sufficiency of scientific information presented in the draft BBWA report. In response, the Pebble Partnership and Northern Dynasty made submissions on the draft report. Northern Dynasty made a presentation highlighting these shortcomings at public hearings held in Seattle, Washington, on May 31, 2012 and in Anchorage, Alaska, on August 7, 2012. In July 2012, the Company also submitted a 635-page critique of the draft report in response to the EPA's call for public comment, and has called upon the EPA to cease such unwarranted actions until such time as a definitive proposal for the development of the Pebble deposit is submitted into the rigorous *National Environmental Policy Act* ("NEPA") permitting process.

Concerns about the reasonableness of the basis of risk assessment in the draft EPA report were stated by many of the independent experts on the peer review panel assembled to review the BBWA, as summarized in a report entitled "*External Peer Review of EPA's Draft Document: An Assessment of Potential Mining Impacts on Salmon Ecosystems of Bristol Bay, Alaska*" released in November 2012. In a wide-ranging critique of the draft report's methodology and findings, many peer review panellists called the EPA's effort to evaluate the effects of a "hypothetical mining scenario" on the water, fish, wildlife and cultural resources of Southwest Alaska "inadequate", "premature", "unreasonable", "suspect" and "misleading".

On April 26, 2013, the EPA released a revised draft of the BBWA report and announced another public comment and Peer Review period. The Pebble Partnership and Northern Dynasty made submissions on the revised draft. In late May 2013, Northern Dynasty filed a 205-page submission which describes the same major shortcomings as the original report published in May 2012.

In mid-January 2014, the EPA released the final version of its BBWA. The report still reflects many of the same fundamental shortcomings as previous drafts.

On February 28, 2014, the EPA announced the initiation of a regulatory process under Section 404(c) of the Clean Water Act to consider restriction or a prohibition on mining activities associated with the Pebble deposit in order to protect aquatic resources in southwest Alaska. In late April 2014, the Pebble Partnership submitted a comprehensive response to the EPA's February 28, 2014 notification letter.

In late May 2014, the Pebble Partnership filed suit in the U.S. District Court for Alaska and sought an injunction to halt the regulatory process initiated by the EPA under the Clean Water Act, asserting that, in the

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absence of a permit application, the process exceeds the federal agency's statutory authority and violates the Alaska Statehood Act among other federal laws. The State of Alaska and Alaska Peninsula Corporation, an Alaska Native village corporation with extensive land holdings in the Pebble Project area, later joined in the Pebble Partnership's lawsuit against the EPA as co-plaintiffs (the "plaintiffs"). On September 26, 2014, U.S. federal court in Alaska granted EPA's motion to dismiss the case. This ruling did not judge the merits of the statutory authority case, it only deferred that hearing and judgment until after a final Section 404(c) determination has been made by the EPA. If or when the EPA action is deemed "final", the Pebble Partnership will pursue the underlying case. The Company has also appealed the decision to grant the motion to dismiss to the 9th Circuit Court of Appeals. The 9th Circuit Court of Appeals has agreed to an expedited hearing of the Pebble Partnership's appeal.

On July 18, 2014, EPA Region 10 announced a 'Proposed Determination' to restrict the discharge of dredged or fill material associated with mining the Pebble deposit in a 268 square mile area should that disposal result in any of the following: loss of five or more miles of streams with documented salmon occurrence; loss of 19 or more miles of streams where salmon are not documented but that are tributaries of streams with documented salmon occurrence; the loss of 1,100 or more acres of wetlands, lakes, and ponds that connect with streams with documented salmon occurrence or tributaries of those streams; and stream flow alterations greater than 20 percent of daily flow in nine or more linear miles of streams with documented salmon occurrence. Northern Dynasty management does not accept that the EPA has the statutory authority to impose conditions on development at Pebble, or any development project anywhere in Alaska or the US, prior to the submission of a detailed development plan and its thorough review by federal and state agencies including development of an Environmental Impact Statement ("EIS") and review under NEPA.

On September 19, 2014, the Pebble Partnership submitted a comprehensive legal and technical response to EPA Region 10's Proposed Determination.' Northern Dynasty and the Pebble Partnership believe the Proposed Determination is unsupported by the administrative record as established by the Bristol Bay Assessment, and is therefore arbitrary and capricious.

On September 3, 2014, the Pebble Partnership initiated a second action against EPA in federal district court in Alaska charging that EPA violated the *Federal Advisory Committee Act* ("FACA") due to its close interactions with, and the undue influence of Environmental Non-Governmental Organizations ("ENGOS") and anti-mining activists in developing the Bristol Bay Watershed Assessment, and with respect to its unprecedented pre-emptive 404c regulatory process under the Clean Water Act. On September 24, 2014, the US federal court judge in Alaska released an order recognizing that the EPA agreed not to take the next step to advance its 404(c) regulatory process with respect to southwest Alaska's Pebble Project until at least January 2, 2015.

However, in advance of that date on November 24, 2014, the U.S. federal court judge in Alaska granted the Pebble Partnership's request for a Preliminary Injunction ("PI") in relation to the FACA case. While the PI does not resolve the Pebble Partnership's claims that the EPA actions with respect to the Bristol Bay Watershed Assessment and subsequent 404(c) regulatory process violated FACA, the decision permits the further discovery process of the underlying facts to enable the court to issue a final decision on the merits of the FACA case. The Pebble Partnership expects it will take several months for the case to run its course.

The Pebble Partnership will now have an opportunity for extensive depositions and discovery to determine if there was any EPA misconduct. That the PI was granted also reflects the US federal court judge's view that the claimant has a 'likelihood of success on the merits.' Should the Pebble Partnership prevail in its FACA litigation against the EPA, the federal agency may be unable to rely upon the Bristol Bay Watershed Assessment as part of the administrative record for any regulatory action at the Pebble Project.

Northern Dynasty has submitted numerous letters to the independent Office of the EPA Inspector General ("IG") since January 2014 raising concerns of bias, process irregularities and undue influence by environmental organizations in the EPA's preparation of the Bristol Bay Watershed Assessment. In response to Congressional and other requests, on May 2, 2014, the IG's office announced that it would investigate the EPA's conduct in preparing 'An Assessment of Potential Mining Impacts on Salmon Ecosystems of Bristol Bay,

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Alaska'. A team of IG investigators is now in place and a full investigation is underway "to determine whether the EPA adhered to laws, regulations, policies and procedures in developing its assessment of potential mining impacts in Bristol Bay, Alaska."

The Pebble Partnership is advancing a multi-dimensional strategy to address the EPA's pre-emptive regulatory process under Section 404(c) of the Clean Water Act, and is working to position the Pebble Project to initiate federal and state permitting under NEPA unencumbered by any extraordinary development restrictions imposed by the EPA. This strategy includes three discrete pieces of litigation against the EPA as set out below:

- challenging the EPA's statutory authority to pre-emptively impose development restrictions at the Pebble Project under Section 404(c) of the Clean Water Act prior to the Pebble Partnership submitting a proposed development plan for the project or the development of an EIS under NEPA;
- alleging that the EPA violated FACA in the course of undertaking the Bristol Bay Watershed Assessment and subsequent Section 404(c) of the Clean Water Act regulatory process; and
- alleging that the EPA is unlawfully withholding relevant documentation and other information sought by the Pebble Partnership under the Freedom of Information Act ("FOIA").

The Pebble Partnership's strategy to address the EPA's regulatory process under Section 404(c) of the Clean Water Act also includes undertaking research, including technical and legal investigations, to facilitate various investigations of EPA actions with respect to the Pebble Project, including one by the EPA Inspector General.

On March 24, 2015, it was announced that Former Defense Secretary William S. Cohen and his firm, The Cohen Group, assisted by law firm DLA Piper, had been retained by the Pebble Partnership to conduct an independent review of whether the EPA acted fairly in connection with its evaluation of potential mining in the Bristol Bay watershed. Secretary Cohen will evaluate the fairness of EPA's actions and decisions in this matter based upon a thorough assessment of the facts and relying on his experience as Secretary of Defense as well as his 24 years as a member of the US House of Representatives and Senate. He will have full discretion as to the means and manner of carrying out this review to ensure that it is thorough and unbiased.

While the litigation process is inherently uncertain, and it is difficult to predict with confidence the length of time that each of the legal initiatives described above will take to advance to specific milestone events or final conclusion, Northern Dynasty expects the following to occur in 2015:

- the 9th Circuit Court of Appeals is expected to fully hear and issue a decision in 2015 on the Pebble Partnership's appeal of a lower court's decision that its 'statutory authority' case is not ripe and cannot be heard until such time as the EPA has taken final regulatory action under Section 404(c) of the Clean Water Act. If the Pebble Partnership prevails, the case will be returned to federal court in Alaska for a final determination on its merits; if the EPA prevails, the statutory authority case will be heard at a later date should the federal agency proceed to issue a final regulatory decision under Section 404(c) of the Clean Water Act;
- a final decision by a federal court judge in Alaska on the Pebble Partnership's FACA case is expected in the latter half of the year;
- a decision in the Pebble Partnership's FOIA litigation against the EPA is expected in the latter half of the year; and
- the independent Office of the EPA Inspector General is expected to complete its investigation and publish a final report on EPA actions with respect to the Bristol Bay Watershed Assessment and the EPA's subsequent regulatory process under Section 404(c) of the Clean Water Act in the second or third quarter of 2015.

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Northern Dynasty cannot predict the outcome of its various challenges to what it sees as improper, preemptory attempts by the EPA to prevent or otherwise restrict mineral development at Pebble. If these challenges all fail and the EPA continues to oppose the Pebble Project by all legal means, it may have a material adverse effect on the Company.

ii) Nunamta Aulukestai

In October 2011, a lawsuit filed in July 2009 by the Trustees for Alaska (an environmental law firm) on behalf of Nunamta Aulukestai – an organization established and funded to oppose development of the Pebble Project - was rejected by the Anchorage Superior Court. The lawsuit alleged that the Alaska Department of Natural Resources had violated the state constitution by granting exploration and temporary water use permits to the Pebble Partnership, and exploration activities had caused harm to vegetation, water, fish and wildlife. The Pebble Partnership actively participated in the trial proceedings after being granted intervener status. Superior Court Judge Aarseth denied each of the allegations made by Nunamta Aulukestai, and ruled that no evidence of environmental harm was presented. The plaintiffs have filed an appeal that is now pending before the Alaska Supreme Court.

iii) Lake and Peninsula Borough

In November 2011, voters in southwest Alaska's Lake & Peninsula Borough approved, by a narrow margin, a ballot measure sponsored by anti-Pebble activists that proposed to restrict future development that affects more than one square mile of land within the 31,000 square mile borough. The initiative was opposed by a broad spectrum of Alaskan interests. The Pebble Partnership and the State of Alaska filed legal challenges to the ballot initiative in the Alaska Superior Court, and on March 19, 2014 the court issued a permanent injunction barring the law from going into effect. The court ruled in favor of the Pebble Partnership, agreeing that the Alaska constitution and Alaska statutes preempted local governments from interfering with resource development on State lands. The ballot sponsors have appealed to the Alaska Supreme Court, which will hear oral argument on May 19, 2015 and issue a decision sometime thereafter.

1.2.2 Financing

In the first quarter of 2015, Northern Dynasty completed a private placement financing (the "Private Placement") which had been initiated late in the 2014 fiscal year. The Private Placement consisted of 35,962,735 share purchase warrants (the "Special Warrants") priced at \$0.431 per Special Warrant, for gross proceeds of \$15.5 million. Pursuant to the Private Placement, the Company issued 27,622,642 Special Warrants in December 2014 and 8,340,093 special warrants in January 2015. Under the terms of issuance of the Special Warrants, the Company filed a prospectus in certain Canadian provinces to qualify the conversion of the Special Warrants and a registration statement with the SEC in the United States to qualify the resale of common shares in the Company ("Common Shares") by U.S. investors. The Special Warrants will convert on exercise into Common Shares on a one-for-one basis, subject to certain restrictions, without payment of any additional consideration. The Special Warrants are subject to automatic conversion provisions, which depend on the country of residence of a holder of the Special Warrants and the total number of the Common Shares that a holder of the Special Warrants will own after such conversion, and, in any event, all outstanding Special Warrants will be automatically converted on the second anniversary of their issuance date.

The Special Warrants do not confer on their holders any right as a shareholder of the Company, including but not limited to any right to vote at any meeting of shareholders or any other proceedings, other than meetings by holders of Special Warrants, of the Company or any right to receive any dividend or other distribution.

As of the date of this MD&A, 9,943,589 Special Warrants had automatically converted into the same number of Common Shares (see [1.15.1 Disclosure of Outstanding Share Data](#)).

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1.2.3 Market Trends

Copper prices increased from early 2009 until late 2011. From that time, prices have been variable and weakened overall. The recent closing price is US\$2.90/lb.

The average annual gold price steadily increased from 2008 to 2012. Gold prices trended lower in 2013, and have been variable but weakening overall in 2014 and 2015. The recent closing price is US\$1,225/oz.

Molybdenum prices were variable, but improving in 2010 and 2011, variable in 2013, and then began an uptrend that extended through the end of June 2014. Prices have been on a downtrend since that time with a recent closing price of US\$7.85/lb.

An upward trend in silver prices began in 2010, and continued to late September 2011; prices reached as high as \$43/oz in 2011, resulting in the highest average annual price since 2008. Prices ranged between \$26/oz and \$35/oz between October 2011 and December 2012, and trended downward in 2013. Silver prices have been variable in 2014 and 2015, with an overall decrease in the average price. The recent closing price is US\$17.40/oz.

Average annual prices since 2010 as well as the average prices so far in 2015 for copper, gold, molybdenum and silver are shown in the table below:

Year	Average metal price			
	Copper US\$/lb	Gold US\$/oz	Molybdenum US\$/lb	Silver US\$/oz
2010	3.42	1,228	15.87	20.24
2011	4.00	1,572	15.41	35.25
2012	3.61	1,669	12.81	31.16
2013	3.32	1,410	10.40	23.80
2014	3.14	1,276	11.91	19.08
2015 (to the date of the MD&A)	2.69	1,212	8.30	16.60

Source: LME Official Cash Price as provided at www.metalprices.com

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1.3 Selected Annual Information

Not required for 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 (Income)	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013
Expenses								
Exploration and evaluation	\$ 2,074	\$ 3,461	\$ 2,436	\$ 2,952	\$ 4,028	\$ 1,076	\$ 270	\$ 246
General and administrative	1,816	2,118	2,120	2,150	2,670	1,596	1,510	1,485
Legal, accounting and audit	3,248	4,933	1,957	1,281	155	214	42	10
Share-based compensation	360	522	557	699	2,099	-	-	217
Other items ⁽ⁱ⁾	(1,252)	(1,109)	(982)	(211)	(489)	(412)	(120)	(440)
Equity accounting adjustment ⁽ⁱⁱ⁾	-	-	-	-	-	(5,062)	-	-
Loss (income) for the quarter	6,246	9,925	6,088	6,871	8,463	(2,588)	1,702	1,518
Basic and diluted loss (income) per common share	\$ 0.05	\$ 0.10	\$ 0.06	\$ 0.07	\$ 0.09	\$ (0.03)	\$ 0.02	\$ 0.02

(i) Other items include interest income, exchange gain and loss, and deferred income tax.

(ii) Represents a gain recorded upon discontinuance of equity method for accounting for the investment in the Pebble Limited Partnership when the Company reacquired control in Q4 of 2013.

Discussion of Quarterly Trends

Exploration and evaluation expenses ("E&E") increased from Q4 of 2013 as the Company commenced funding 100% of evaluation work on the Pebble Project following the withdrawal of the project partner in late December 2013 (discussed in Section [1.2.1.1 Technical Programs](#)). E&E included costs for Native community engagement, select environmental monitoring programs, annual fees for claims, site leases for accommodation, land access agreements and technical studies.

General and administrative expenses ("G&A") have fluctuated based on the level of corporate activities undertaken. In 2013, G&A trended lower until Q4 2013, when the added costs associated with the management and administration of the Pebble Partnership was borne by the Company as a result of project partner withdrawal. From Q1, 2014, G&A has been higher due to the inclusion of the management and administration of the Pebble Partnership and the additional costs associated with ongoing activities around the EPA's initiatives as discussed in Section [1.2.1.2 Legal Matters](#).

Share-based compensation expense ("SBC") has fluctuated due to the timing of share purchase option grants and the vesting periods associated with these grants. In 2013 and 2015 there were no new grants and as such SBC related to the graded vesting of share purchase option grants from prior years. In 2014, SBC related to new grants by the Company and the graded vesting of these share purchase options during the year.

1.5 Results of Operations

The following financial data has been prepared in accordance with IFRS effective for the period ended March 31, 2015.

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,

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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 for the Three Months Ended March 31, 2015 vs. 2014

The Company recorded a decrease in loss of \$2.3 million to \$6.2 million from a loss of \$8.5 in 2014.

E&E decreased by \$2.0 million as the Company prioritized the allocation of available financial resources in order to meet key corporate and Pebble Project expenditure requirements relating to ongoing activities around the EPA's initiatives as discussed in Section [1.2.1.2 Legal Matters](#). E&E activities during the first quarter of 2015 included Native community engagement, environmental monitoring and site leases for accommodation.

The following table provides a breakdown of E&E incurred during the period:

E&E (expressed in thousands of dollars)	Three months ended March 31	
	2015	2014
Engineering	\$ 72	\$ 929
Environmental planning and testing	286	628
Site activities	570	1,082
Socio-economic	1,102	1,281
Other activities and travel	44	108
Total	\$ 2,074	\$ 4,028

G&A including legal, accounting and audit increased to \$5.1 million from \$2.8 million in 2014 primarily due to increased legal costs incurred as the Company, through the Pebble Partnership, advances key legal objectives to address the EPA's pre-emptive regulatory process under Section 404(c) of the Clean Water Act (see Section [1.2.1.2 Legal Matters](#)).

The following table provides a breakdown of G&A incurred during the period:

G&A (expressed in thousands of dollars)	Three months ended March 31	
	2015	2014
Conference and travel	\$ 86	\$ 110
Consulting	162	68
Insurance	96	107
Office costs	410	658
Management and administration	721	1,381
Shareholder communication	184	205
Trust and filing	157	141
General and administrative	1,816	2,670
Legal, accounting and audit	3,248	155
Total	\$ 5,064	\$ 2,825

SBC decreased to \$0.4 million from \$2.1 million in 2014 as the Company did not grant any options in the current period (2014 - 5.9 million options were granted).

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1.6 Liquidity

The Company's major sources of funding has been the issuance of equity securities for cash, primarily through private placements to sophisticated investors and institutions and the issue of common shares pursuant to the exercise of share purchase options. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

As at March 31, 2015, the Company's cash and cash equivalents were \$6.0 million, down from \$9.5 million at December 31, 2014 as the Company used \$6.7 million of its cash in its operating activities (see Section 1.5.1) and raised \$3.4 million from the portion of the Private Placement that closed in 2015 (see Section [1.2.2 Financing](#)). The Company 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 to pursue any material expenditure at the Pebble Project. There can be no assurances that the Company 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 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 (see Section [1.2.1 Pebble Project](#)) and routine office and site leases.

1.7 Capital Resources

The Company's capital resources consist of its cash reserves. As of March 31, 2015, the Company had no long term debt or commitments for material capital expenditures other than what has been disclosed in the Financial Statements.

The Company has no lines of credit or other sources of financing.

1.8 Off-Balance Sheet Arrangements

There are none.

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.

Many of the current directors of the Company – namely, Scott Cousens, Robert Dickinson, Russell Hallbauer, Marchand Snyman and Ronald Thiessen – are active members of the HDI Board of Directors. Other key management personnel of the Company – Doug Allen, Stephen Hodgson, Bruce Jenkins, Sean Magee and Trevor Thomas – are 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.

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HDSI also incurs third party costs on behalf of the Company. Such third party costs include, for example, directors and officers insurance, travel, conferences, and technology services.

As a result of this relationship with HDSI, the Company has ready access to a range of diverse and specialized expertise on a regular basis, without having to engage or hire full-time experts. The Company benefits from the economies of scale created by HDSI.

The measurement basis used

The Company procures services from HDSI pursuant to an agreement (the "Services Agreement") dated July 2, 2010 whereby HDSI agreed to provide technical, geological, corporate communications, administrative and management services to the Company. A copy of the Services Agreement is publicly available under the Company's profile at www.sedar.com.

Services from HDSI are provided on a non-exclusive basis as required and as requested by the Company. The Company is not obligated to acquire any minimum amount of services from HDSI. The fees for services is determined based on an agreed upon charge-out rate for each employee performing the service and the time spent by the employee. The charge-out rate also includes overhead costs such as office rent, information technology services and administrative support. Such charge-out rates are agreed and set annually in advance.

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

Ongoing contractual or other commitments resulting from the related party relationship

There are no ongoing contractual or other commitments resulting from the Company's transactions with HDSI, other than the payment for services already rendered and billed. The agreement may be terminated upon 60 days' notice from either the Company or HDSI.

The following summarizes the transactions with HDSI for the three month period ended March 31:

Transactions (expressed in thousands of dollars)	2015	2014
Services rendered by HDSI	\$ 919	\$ 1,465
Technical	302	553
Engineering	102	188
Environmental	173	184
Socioeconomic	-	85
Other technical services	27	96
General and administrative	617	912
Management, financial & administration	445	739
Shareholder communication	172	173
Reimbursement of third party expenses	218	298
Conferences and travel	42	91
Insurance	50	63
Office supplies and other	126	144
Total paid by the Company	\$ 1,137	\$ 1,763

Key Management Personnel

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

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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

There was no change in the use of estimates and judgments during the current period from those described in Note 2 in the Group's Consolidated Financial Statements for the year ended December 31, 2014 available under the Company's profile at www.sedar.com.

1.13 Changes in Accounting Policies including Initial Adoption

The Company has disclosed information and potential impact thereof in Note 2 in the notes to the Financial Statements which accompany this MD&A.

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, restricted cash and amounts receivable. The Company 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, and in government treasury bills which are available on demand by the Group as and when required. There has been no change in the Company's objectives and policies for managing this risk except for changes in the carrying amounts of financial assets exposed to credit risk, and there was no significant change to the Company's exposure to credit risk during the year ended December 31, 2014. Amounts receivable include receivable balances with government agencies and refundable deposits. Management has also concluded that there is no objective evidence of impairment to its 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 has been discussed in Section [1.6 Liquidity](#).

Foreign Exchange Risk

The Company is subject to both currency transaction risk and currency translation risk: the Pebble Partnership and U5 Resources Inc. have the US dollar as functional currency; and certain of the Company's

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corporate expenses are incurred in US dollars. The fluctuation of the US dollar in relation to the Canadian dollar has an impact upon the losses incurred by the Company as well as the value of the Company's assets and total shareholders' equity as the Company's functional and presentation currency is the Canadian dollar. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

There has been no change in the Company's objectives and policies for managing this risk, except for the changes in the carrying amounts of the financial assets exposed to foreign exchange risk, and there was no significant change to the Company's exposure to foreign exchange risk during the year ended December 31, 2014.

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 period ended March 31, 2015.

Commodity price risk

While the value of the Company's Pebble Project, held through its interest in the Pebble Partnership, is related to the price of gold, copper and molybdenum 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.

Gold, copper, and molybdenum 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 so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, reserves and special warrants, 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 **2014 Annual Information Form**, is available under the Company's profile on SEDAR at www.sedar.com.

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1.15.1 Disclosure of Outstanding Share Data

The capital structure of the Company as of the date of this MD&A is shown in the following table:

	Total
Common shares issued and outstanding	105,018,453
Special Warrants (see 1.2.2 Financing)	25,954,146
Share options (weighted average exercise price per option: \$1.94)	7,567,200

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 gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

1.15.3 Management's Report on Internal Control over Financial Reporting

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

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

1.15.4 Changes in Internal Control over Financial Reporting

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

1.15.5 Limitations of Controls and Procedures

The Company's management, including its CEO and CFO, believe that any system of disclosure controls and procedures or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Furthermore, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance

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that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

1.15.6 Risk Factors

Please refer to "Risk Factors" discussed in **Item 5** in the Company's **2014 annual information form** for the year ended December 31, 2014 filed under the Company's profile on SEDAR at www.sedar.com.