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NORTHERN DYNASTY MINERALS LTD  
Form 20-F  
July 01, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or 12(g) OF THE  
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the fiscal year ended December 31, 2002 (with other information to  
May 1, 2003 except where noted)

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

CIK Number 0001164771  
Commission file number 0-31224

NORTHERN DYNASTY MINERALS LTD.

-----  
(Exact name of Registrant specified in its charter)

NORTHERN DYNASTY MINERALS LTD.

-----  
(Translation of Registrant's name into English)

BRITISH COLUMBIA, CANADA

-----  
(Jurisdiction of incorporation or organization)

SUITE 1020, 800 WEST PENDER STREET  
VANCOUVER, BRITISH COLUMBIA, CANADA, V6C 2V6

-----  
(Address of principal executive offices)

COMMON SHARES WITHOUT PAR VALUE

-----  
(Title of Class)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class Name of each exchange on which registered

-----  
None Not applicable

Securities registered or to be registered pursuant to Section 12(g) of the Act

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Common Shares without Par Value

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Number of outstanding shares of Northern Dynasty's only class of capital stock as on December 31, 2002

15,015,323 Common Shares Without Par Value (the number outstanding on May 1, 2003 was 18,058,723).

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the SECURITIES EXCHANGE ACT OF 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

NOT APPLICABLE

Indicate by check mark which financial statement item Registrant has elected to follow:

Item 17 [ X ] Item 18 [ ]

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the SECURITIES EXCHANGE ACT OF 1934 subsequent to the distribution of securities under a plan confirmed by a court.

NOT APPLICABLE

CURRENCY AND EXCHANGE RATES

All monetary amounts contained in this Registration Statement are, unless otherwise indicated, expressed in Canadian dollars. On May 1, 2003 the Federal Reserve noon rate for Canadian Dollars was US\$1.00:Cdn\$1.4188 (see Item 4 for further historical Exchange Rate Information).

FIGURE 1

MINERAL CLAIMS STATUS

The Pebble Property forms a continuous block of 1,215 mineral claims, totalling 25,787 hectares, located on Alaska State ground. The property is subdivided into the Resource Lands and the Exploration Lands (Figure 2) related to the option agreements. State mineral claims in Alaska may be kept in good standing by incurring annual assessment work or by paying cash in lieu of assessment work in the amount of US\$100 per mineral claim per year and by paying annual escalating state rentals. To keep the existing Pebble Property in good standing, the annual assessment work or cash in lieu obligations total US\$107,400.

FIGURE 2

#### PEBBLE PROPERTY GEOLOGY

The Pebble property encompasses the eastern and southern margins of the Late Cretaceous Kaskanak Batholith and the adjacent intruded Jurassic-Cretaceous turbidite sequence of sedimentary rocks and interbedded mafic volcanic flows. Similar to many of the world's great porphyry copper districts, the Pebble deposit is centered on a multi-phased, coeval, calc-alkalic intrusive suite proximal and genetically related to the batholith.

On the east side of the Kaskanak Batholith, a northeast trending, structural corridor is present, oriented obliquely to the Late Cretaceous regional structures. This corridor has been traced for 22 km on the property, and is marked by a linear cluster of multi-phased, compositionally and texturally variable, irregular stocks, sills, dikes and breccia bodies that are probably developed at the same time as the Kaskanak Batholith. The intrusive suite includes bodies of pyroxenite, gabbro, monzonite, diorite, porphyritic and non-porphyritic phases of quartz monzodiorite, granodiorite and granite. The presence of the mafic-ultramafic intrusions suggests that a deep structure may have controlled the position of the intrusive corridor that, in turn, has controlled the loci of mineral deposition. Numerous gold and copper-gold mineral occurrences, including the large Pebble and the newly discovered Thirty-Eight porphyry copper-gold-molybdenum deposits, are related to the diverse group of intrusions.

Younger volcanic rocks and/or glacial sediments largely cover all pre-Tertiary rocks and associated mineral deposits and occurrences. The Sill epithermal gold deposit, situated six km southeast of the Pebble deposit, is hosted by fine-grained, equigranular to porphyritic Tertiary latite. Northern Dynasty has not conducted any work on the Sill deposit.

#### EXPLORATION HISTORY

Another company conducted exploration on the Pebble Property prior to 2001. In 2001, HDG conducted soil geochemical and induced polarization geophysical surveys.

During the period 1988-1997, several phases of soil geochemical surveys were conducted on the Pebble Property and HDG completed an additional sampling program in 2001. These programs outlined an extensive and coincident gold, copper, and molybdenum soil geochemical anomaly measuring 9 km in length and up to 4 km in width, and several significant outliers.

Induced polarization surveys were conducted during the years 1988 to 1990. In 1997, 121 line-km of IP surveying with a spacing of 150 m were completed. This data was then integrated with the previous survey results. In 2001, HDG contracted to complete 30 line-km of IP survey, utilizing the same survey parameters as the previous surveys in order to easily integrate the results with the pre-existing data.

The IP data defines a north-northeast trending zone of anomalous chargeability that extends over 89 square km and measures 21 km long and up to 9 km wide. It remains open to the south and possibly to the southeast. To the east, the anomaly is masked by Tertiary volcanic rocks. To the north, the anomaly is open, but disappears under volcanic cover. The west side of the IP chargeability

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anomaly is well defined and corresponds closely with the margins of the Kaskanak Batholith.

The Pebble deposit lies in the northeastern part of the large IP chargeability anomaly in an area of generally moderate intensity. Within this very large chargeability anomaly, other areas with similar geophysical signatures occur. The Pebble sulphide system compares favorably in size with other large porphyry systems that often contain more than one deposit.

From 1988-1997, 164 drill holes comprising 23,076 m were completed. Most of the drilling was done at the Pebble deposit, and most holes were drilled vertically. Drill spacing ranges from 100 to 250 m throughout much of the deposit, increasing to up to 300 m on the margins. The depth of the holes in the deposit is variable, but in general tested to between 125 and 250 m. Only 5 holes were drilled below 300 m depth, and the deepest hole was 457 m.

Based upon the 110 drill holes (18,353 m) at the Pebble deposit, a large body of low-grade copper-gold porphyry mineralization was identified over an area measuring 1.7 km by 1.7 km. Minimal, generally shallow, drilling was completed elsewhere within the extensive composite IP chargeability and geochemical anomaly, prior to the 2002 program by Northern Dynasty. In the Sill area, 7 km southeast of the Pebble deposit, 39 holes (totalling 3,178 m) were completed by the previous operators to evaluate high-level epithermal (deposit formed at low temperature - 50-200°C, usually within one kilometre of the earth's surface, often as structurally controlled veins) gold mineralization.

During May, June and August 2002, Northern Dynasty drilled 68 holes totalling 11,306 m (Figure 3) exploring for additional porphyry deposits within the 89 square km sulphide system. Limited surface exploration, consisting of an 18.5 line km ground magnetometer survey; a 328 soil geochemical survey and a few man-days of geological traverses, were also completed. To gain a better understanding of the geology of the Pebble deposit, Northern Dynasty's geological staff re-logged 104 diamond drill holes and then constructed three geological level plans and 28 geological cross-sections in two orthogonal sets. In March 2003, Northern Dynasty commissioned an independent mineral resource estimate by engineering firm Snowden Mining Industry Consultants Inc.

### PRELIMINARY ENGINEERING STUDIES

Preliminary engineering studies outlined several road access options, including a 130 km gravel access road connecting the Pebble project to a deep-draft ocean port site on Iniskin Bay. One study indicates that the port would be ice-free for at least ten months per year. In recent years, the State of Alaska has provided significant financial assistance for the construction of similar access roads and ports for major mineral development projects, such as that at the Red Dog Mine in northwest Alaska. Preliminary engineering studies indicated that power required for project development could be provided by natural gas from offshore wells in Cook Inlet, transported by pipeline to the mine site, where natural gas turbines would be situated. Preliminary engineering work evaluated and selected a number of possible sites for processing facilities, a water source, accommodations, tailings storage, and waste rock disposal. Preliminary metallurgical testing was conducted on various samples from the Pebble project during the period 1991 through 1994. In 1991, two independent metallurgical laboratories conducted grindability testwork on six core samples. The 1992 flotation testing utilized feed that assayed 0.41% Cu and 0.34 g/t Au and was comprised of 1.2% chalcopyrite, 12.3% pyrite and 86.5% host rock with minor amounts of molybdenite. The 1994 metallurgical testing utilized a 310 kg composite sample of mineralization collected from 8 core drill holes. The holes were a good spatial mix from within the core of the deposit.

The grindability test results were fairly consistent amongst the various metallurgical programs with the metric ballmill work index range being 15.6 to

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17.5 kilowatt hours per tonne of mineralization (kWh/t) and averaging 17.1 kWh/t. The grindability tests are initial tests and only provide information on the known mineralized area only.

Preliminary metallurgical testwork comprised bench scale as well as lock cycle testing. A variety of grind sizes, pH conditions, reagent suites and simulated flow schematics were tried. The Pebble sulphide mineralization is fine grained and well disseminated in the host rock and veins and veinlets throughout the deposit. As a result, much of the testwork involved optimization of primary liberation size within a wide range.

Flotation (separation of minerals from waste rock in solution) testwork was conducted during several programs from 1991 to 1994. The 1992 work utilized rougher, scavenger and cleaner flotation schematics. During the four years of testwork, the range of recoveries obtained was 81% to 94% for copper and 60% to 84% for gold. The 1994 flotation results did not achieve the 1992 high results, but coarser grinds and various regrind schemes were investigated. Much of the work in 1994 included pyrite depression and separation, which reduced gold recovery. Results were not conclusive and additional testwork will have to include optimization of flotation, regrind and pyrite handling.

### FIGURE 3

#### PEBBLE DEPOSIT - GEOLOGY AND MINERALIZATION

Pebble is a calc-alkalic porphyry deposit, encompassing three granodiorite-quartz monzodiorite stocks (A, B and C) and related sill-like intrusions (Figure 4). These stocks intrude moderately folded and previously hornfelsed quartzitic sedimentary rocks that host older diorite sill-like intrusions and intrusion breccias. The three stocks range from 200 to 450 m in diameter. The two western-most stocks subcrop under minimal (2 to 30 m thick) glacial tills, whereas the eastern-most stock is covered unconformably by the western margin of a Tertiary volcano-sedimentary basin.

Mineralization consists principally of pyrite, chalcopyrite, bornite, and molybdenite as fracture fillings and disseminations in intrusive and sedimentary host rocks, with some quartz-veinlet stockwork. Gold is present with the sulphides in a ratio of approximately 1 g/t gold to 1% copper. Mineralization is strongest within and around the granodiorite stocks and is associated with strong secondary potassium feldspar (potassic) alteration. Mineralization occurs over an area of at least 1.7 km by 1.7 km and to a depth of 300 m, and remains unconstrained to the northeast and to the west. The periphery of the deposit coincides with a transition from potassic dominant alteration to quartz-sericite-pyrite-gold-dominant (phyllic) alteration. The phyllic alteration envelope around the deposit covers an area of up to 5.5 km by 2.5 km, containing gold concentrations exceeding 100 ppb that, in turn, is enveloped by an even broader epidote-chlorite-pyrite (propylitic) alteration shell within which local gold concentrations can exceed 100 ppb.

All intrusive and sedimentary rocks within the deposit are mineralized. Preliminary statistical analysis of drill hole assays indicates that the highest copper and gold grades are associated with the intrusions. Higher gold grades are also associated with phyllic and propylitic-altered rocks. Crude zonation patterns indicate a copper-gold-rich, relatively low-pyrite core that grades outward to a high-pyrite-gold zone with lower copper concentrations, to peripheral gold-only zones. The distribution of drill holes containing sample intervals with gold concentrations >5.0 g/t displays an annular distribution of high gold grades associated with quartz-pyrite veins at the deposit periphery, a feature common to classic porphyry systems. Drill holes with concentrations of

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molybdenum and arsenic exceeding 100 ppm are confined to the deposit.

Copper and gold mineralization remains open to the east and northeast, an area where drilling and geological mapping indicate Tertiary cover, and yet to be constrained to the west. Hypogene copper-gold-(molybdenum) mineralization occurs throughout the zone of potassic alteration and is concentrated in and surrounding the upper parts of the granodiorite stocks. Copper is present as chalcopyrite as disseminated grains and along sulphide-rich fractures. Gold is fine-grained, generally a few microns in diameter, usually near grain boundaries of pyrite and chalcopyrite. The pyrite content is low in the zone of potassic alteration. In general the ratio of Au grade (in g/t) to Cu grade (in %) is near 1. In leached zones near surface, copper commonly was removed whereas gold was immobile. Molybdenite commonly occurs in late-stage quartz-(pyrite) veins and veinlets.

Copper was concentrated moderately (0.6-1.0%) by pre-Mid-Eocene supergene processes in zones of secondary sulphide and oxide enrichment up to several tens of metres thick. These zones begin directly below or within a few metres of the bottom of the leached zone. They are represented by covellite-digenite-chalcocite replacement of chalcopyrite and coatings on pyrite, and by veinlets and fractures containing chalcocite or secondary copper hydroxides and carbonates. Cu/Au ratios significantly greater than 1 occur mainly in the zone of secondary sulphide and/or oxide enrichment. The highest known grades occur in and on the north flank of Stock A (centered near DDH 099). Many of the holes in this area are shallow, with several terminating in well mineralized rock.

Significant copper-gold mineralization around Stock B (centered on Hole 077) is indicated in a few well-mineralized holes. This area of higher-grade mineralization is not well defined because of the wide spacing of the holes.

Gold mineralization in the range 0.5-1.5 g/t is widespread in the zone of phyllic alteration bordering the zone of potassic alteration and in the zone of propylitic alteration in a diorite sill (D2) to the northwest of the deposit (Hole 1 Gold Zone). In these zones, the copper concentrations are very low. Gold mineralization is also associated with zones up to a few metres wide of phyllic (in part + potassic feldspar) alteration that cut across the major potassic alteration zone. Some of these zones of phyllic alteration are envelopes on quartz-pyrite-(sericite-chlorite) veinlets and veins. Some crosscutting zones of phyllic alteration contain strongly anomalous concentrations of zinc, lead, and silver; some of these also contain strongly anomalous concentrations of gold. These zones represent a later, lower-temperature phyllic alteration superimposed on the earlier, higher-temperature potassic alteration. It is possible that another granodiorite stock exists below the D2 diorite sill in the vicinity of DDH 071.

### FIGURE 4

#### CURRENT ESTIMATES OF MINERALIZATION

In 2003, Northern Dynasty commissioned an independent mineral resource estimate by engineering firm Snowden Mining Industry Consultants Inc. Snowden's estimate is based on drill core assay results from 92 holes obtained to 1997 by Teck Cominco and one drill hole by Northern Dynasty in 2002, and detailed geological logging of the drill core by Northern Dynasty. Paul Blackney, B.Sc. (Hons.), MAusIMM, MAIG, of Snowden Mining Industry Consultants Inc. was responsible for the resource estimate. He is an independent Qualified Person as defined under Canadian Securities Legislation. This inferred resource is based on Canadian Institute of Mining and Metallurgy categories, which differ from those used in

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the United States and the term "mineralization" is used herein to generally describe these estimates. The specific breakdown of Inferred Mineral Resources for the Pebble deposit above varying cut-off grades is tabulated below:

### PEBBLE DEPOSIT INFERRED MINERAL RESOURCES<sup>1</sup>

CUT-OFF COPPER EQUIV%	TONNES MILLION	GOLD G/T	COPPER %	MOLYBDENUM %	AUEQ2 G/T	CUEQ2 %	CONTAIN
							GOLD M OZ
							COP B
0.30	1,013	0.40	0.30	0.015	0.96	0.61	13.1
0.40	940	0.42	0.31	0.015	0.99	0.63	12.5
0.50	692	0.46	0.35	0.016	1.09	0.69	10.2
0.60	434	0.53	0.39	0.017	1.23	0.78	7.4
0.70	271	0.59	0.43	0.018	1.35	0.86	5.1
0.80	141	0.67	0.48	0.019	1.52	0.97	3.0

(1) Mineral resources are not reserves and do not have demonstrated economic viability. An Inferred Mineral Resource is that part of a mineral resource for which quantity and grade can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity.

(2) Copper and gold equivalent calculations use metal prices of US\$0.80/lb for copper, US\$350/oz for gold, and US\$4.50/lb for molybdenum. The contained gold, copper, and gold-equivalent represent estimated contained metal in the ground and have not been adjusted for metallurgical recoveries of gold and copper. Molybdenum recovery was assumed to be 60%. Adjustment factors to account for differences in relative metallurgical recoveries for gold, copper, and molybdenum will depend upon the completion of definitive metallurgical testing.

$$\text{CuEQ} = \text{Cu}(\%) + \text{Au}(\text{g/t}) \times (11.25/17.64) + \text{Mo}(\%) \times (59.52/17.64).$$

$$\text{AuEQ} = \text{Au}(\text{g/t}) + \text{Cu}(\%) \times (17.64/11.25) + \text{Mo}(\%) \times (59.52/11.25).$$

#### OTHER AREAS - GEOLOGY AND MINERALIZATION

##### HOLE 1 GOLD ZONE

Gold mineralization situated at the northwestern periphery of the Pebble porphyry deposit is hosted by propylitic altered, fine to medium-grained diorite. Irregular patches of replacement epidote and quartz veinlets are ubiquitous and are accompanied by medium-grained disseminated pyrite and veinlet pyrite. By volume epidote comprises 2 to 25%, averaging 15%, and pyrite ranges from 1 to 15%, averaging about 7%.

Gold concentrations are more or less evenly distributed in the 0.2 to 0.9 g/t range throughout the length of the holes. Thicker pyrite veins (2 to 5 cm) and silicified, pyritic and chloritic shear zones of limited thickness (0.3 to 6 m thick) explain gold concentrations exceeding 1.0 g/t that upgrade the overall gold tenor. Grains of chalcopyrite are rare. Currently, an area roughly 150 m by 250 m has been tested to a depth of about 100 m. The zone of gold mineralization is open to extension to depth, along strike to the northeast and southwest. The potential of the propylitic-altered diorite to host enhanced concentrations of gold without appreciable copper is much higher than the phyllic altered and hornfelsed sedimentary units. Elsewhere in the Pebble area, D2 diorite sills

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contain significant copper-gold mineralization. No holes in the Hole 1 Gold Zone penetrate through the diorite sill (D2/D1) in the northern part of the area.

### TWENTY-FIVE GOLD ZONE

The Twenty-Five Gold Zone is situated on a till-mantled, rounded ridge, where high copper and gold concentrations in soils extend over a 700 m x 1000 m area lying within the south-central portion of a 12 square km ultramafic-mafic intrusion breccia complex. Much of the intrusion breccia complex has a moderate-intensity IP chargeability response. The breccia complex includes at least three intrusive phases of similar composition. Alteration, dominated by a chlorite-epidote-calcite-pyrite propylitic assemblage, occurs as disseminations, phenocryst replacements and rims around breccia clasts. The intrusion breccia is cut locally by silica veining, flooding and breccia. Along the contact with the monzonitic dikes occurs skarn-type alteration comprising chlorite, epidote, calcite and garnet.

Gold mineralization in the Twenty-Five Gold Zone is often sulphide-rich and includes polymetallic veins and veinlets with sphalerite, galena and chalcopyrite with minor disseminated chalcopyrite. Significant zones of 3-8% pyrite associated in places with quartz-carbonate breccia and in others with exceptionally strong chlorite-epidote alteration contain gold mineralization. Less pyritic, hydrothermal quartz veins, flooding and breccia are also auriferous.

The higher-grade gold intervals in the Twenty-Five Gold Zone (eg Hole 9: 57.91-59.44 m, 33.9 g/t Au; Hole 2025: 70.10-76.20 m, 28.903 g/t Au; Hole 2062: 27.31 m to 27.74 m, 11.83 g/t Au) are associated with pyritic propylitic/skarn alteration that is pervasive in the pyroxenite/gabbro/monzonite intrusion breccia complex. In spite of the numerous gold intersections in the area, controls for the deposition of gold and structures hosting the gold are not yet well understood. Diamond drilling has demonstrated that the intrusion breccia complex hosts a substantial number of gold-bearing structures. Additional drilling is warranted to define and trace the individual auriferous structures along strike and down dip and to search for additional structures hosting high-grade gold mineralization.

### THIRTY-EIGHT PORPHYRY COPPER-GOLD-MOLYBDENUM DEPOSIT

Reconnaissance drill testing of a previously unexplored, 1 km by 3 km IP chargeability anomaly situated in a broad valley under approximately 25 m of glacialfluvial gravels resulted in the discovery of the Thirty-Eight porphyry copper-gold-molybdenum deposit. Drilling has tested an area measuring approximately 600 m by 700 m, with the deposit open to the northeast and to the southwest.

The primary host to mineralization in the Thirty-Eight Porphyry is a hornblende porphyritic quartz monzodiorite transitional to a granodiorite. A younger, small stock that is transitional from granite to a quartz monzonite forms a lower-grade core to the deposit. The contact is gradational over tens of metres.

Alteration in the Thirty-Eight porphyry displays classic porphyry zoning patterns. Potassic alteration and copper mineralization are closely related. Copper mineralization is almost exclusively chalcopyrite; bornite and tetrahedrite are present only as rare grains. Within a few metres of the bedrock surface, thin oxidized zones at the top of some holes contain minor malachite, azurite and black Cu-Fe-Mn oxides. Trace amounts of chalcocite-(covellite-diginite) coat some chalcopyrite and pyrite grains beneath the oxidized zones.

Chalcopyrite occurs in three principal modes: as pervasive very fine disseminated grains in secondary biotite replacements in hornblende phenocrysts,



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as coatings with pyrite on fracture surfaces, and in the core or along the margins of quartz, quartz-pyrite and quartz-pyrite-molybdenite veinlets. The best copper grades coincide with increased density of fractures and quartz veins adjacent to and northeast of the small granite stock where Northern Dynasty Hole 2049 intersected 0.41% Cu and 0.41 g/t Au (0.70% copper-equivalent) over 149 m. No holes have been drilled to the southwest of the granite stock. Rare grains of gold were seen in polished thin sections within chalcopyrite grains. There appears to be an extraordinarily constant gold:copper ratio of 1 g/t Au per 1% Cu.

Exploration drilling has demonstrated that the Thirty-Eight Porphyry Copper-Gold-Molybdenum Deposit is a major porphyry occurrence displaying classic alteration and sulphide assemblages and distributions. The best copper grades coincide with increased fracture and quartz vein density adjacent to and northeast of the small granite stock. No holes have been drilled to the southwest of the granite stock. The deposit is open to the southwest and to the northeast. Substantially more drilling is warranted to fully delineate the deposit and to seek zones of higher metal concentrations.

### THIRTY-SEVEN COPPER-GOLD SKARN ZONE

The Thirty-Seven Skarn Zone was found associated with calc-silicate alteration during reconnaissance drill testing of a copper-gold soil geochemical anomaly 5 km west of the Thirty-Eight porphyry deposit.

Skarn protoliths include fine to medium-grained basalt, flow-top breccias, mafic volcaniclastic rocks and minor, immature intercalations of lithic sandstone, siltstone and mudstone. Possible amygdaloidal textures with quartz, calcite and chlorite fillings occur in flow-tops in most holes, and may have a direct relationship with increased skarn alteration. Carbonate and/or propylitic alteration of the basalt also may have also produced interstitial and veinlet carbonate, promoting subsequent skarn formation.

Basalt and associated rocks in and near the Thirty-Seven Skarn display pervasive, actinolite/tremolite-epidote-chlorite alteration. Most mineralized intercepts are associated with fracture-controlled veinlets and veins of epidote, ferroan dolomite, light brown garnet, potassium feldspar, pyrrhotite, chalcopyrite, and magnetite. Garnet is by far the most spatially restricted of the calc-silicate minerals, occurring only in the veins in hole 2037, closely associated with the gold intercepts. This vein garnet probably replaced earlier veins calcite. Calc-silicate mineral distribution peripheral to the veins was characterized by epidote replacement, pervasive chlorite alteration and more restricted actinolite/tremolite replacement and veinlets.

The sulphide assemblage is dominated by pyrrhotite, which has the widest distribution, followed in abundance by chalcopyrite that is spatially associated with pyrrhotite. Sphalerite is a minor accessory sulphide. Intervals with high copper and gold concentrations invariably correlate with epidote-ferroan dolomite-chalcopyrite-pyrrhotite-magnetite veins. Copper and gold concentrations closely track each other and scattered grains of free gold occur within chalcopyrite or at chalcopyrite grain boundaries.

The calc-silicate assemblage and the copper-gold intercepts encountered in the initial reconnaissance holes extend across 600 m. Additional drilling is needed to determine the orientation and frequency of the well-mineralized structures encountered in hole 2037 (0.40% Cu and 1.00 g/t Au over 79.0 m) that may strike to the north, parallel to the orientation of the drill holes. A contrasting structural orientation is revealed by the ground magnetometer survey data from this area, showing a strong magnetic feature trending at 225 degrees that could reflect an intrusive dike crosscutting the basalt that contributed to the mineralization encountered in hole 2037 or a large, elongate mass of skarn mineralization.

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### FIFTY-TWO PORPHYRY COPPER OCCURRENCE

The Fifty-Two Porphyry Copper Occurrence is situated 1.5 km north of the Thirty-Seven Skarn near the southwestern margin of the Kaskanak Batholith. It was discovered by reconnaissance drilling of a copper soil geochemical anomaly that is coincident with a low contrast IP chargeability anomaly at the outer edge of the survey grid. Neither anomaly is adequately defined.

Surface rubble and diamond drill core indicate that the entire area investigated is underlain by a dark green to black, fine to medium-grained basalt similar to that at the Thirty-Seven Skarn. Weak propylitic alteration predominates; it consists of epidote in low concentrations and variable distribution. The intensity of sulphide mineralization is low. Chalcopyrite and lesser pyrite, in association with chlorite, occur most commonly as 1 to 2 mm-thick fracture-fillings having a sub-millimetre potassium feldspar selvage. These mineralized fractures are not abundant and occur at a frequency of only one or two per metre. Chalcopyrite is present locally as micro-veinlets in some intervals where more intense propylitic alteration is accompanied by secondary potassium feldspar and minor biotite. Rare grains of chalcopyrite form the core of some chlorite and quartz amygdules. Copper concentrations and the intensity of potassic alteration increase to the north, from hole 2052 to hole 2068.

The broad area of basalt-hosted, fracture-controlled, low-grade copper mineralization and associated alteration has definite porphyry affinities. Soil geochemistry, mineralization and alteration vectors indicate increased potential to the north and west-northwest of the area drilled. Additional geological, geochemical and possibly IP surveys are required to more adequately assess this region prior to resumed drill testing.

### SAMPLING AND ANALYSIS

During the period 1988-1997, several phases of soil geochemical surveys in the northeastern part of the property were completed with a total of 7,337 samples collected. Throughout the central part of the large geochemical grid, samples were taken at 30 to 80 m intervals along lines spaced 130 to 260 m apart. In several large areas, especially along the northern, western and southwestern margins of the grid, sample density was significantly lower.

As well, a total of 164 core drill holes were completed prior to 2002. Samples of the HQ (6.3 cm diameter) drill core generally consisted of 3.05 m (10 ft) lengths of half core that was split using a mechanical core splitter. Holes within the Pebble deposit were sampled from top to bottom whereas in some outlying holes, sampling was more selective and related to mineralized intervals.

All samples were analyzed for gold. Copper assays were done for samples from hole 4 onward. Molybdenum assays were done on some drilling campaigns, representing 83.7% of the assay database in the Pebble deposit. Multi-element ICP analysis was also done on every sixth sample beginning with hole 106.

The 1997 drill core samples were prepared by air drying, then crushing to a 10 mesh (2mm); a 250 g portion was pulverized to 200 mesh (75 microns). A 250 g sample was analyzed for copper using an Aqua-Regia digestions and Inductively Coupled Plasma Atomic Emission Spectroscopy (ICP-AES). Gold was analyzed using Fire Assay on a one assay ton sample with an Atomic Absorption Spectrometry (AAS-AES) finish. Trace elements were also analyzed by Aqua-Regia digestion and ICP-AES. One blind standard was inserted for every 20 samples analyzed. One duplicate sample was taken for each ten samples analyzed. Five percent of all drill hole samples were re-analyzed which showed copper to have remarkable correlation and gold adequate to good correlation. The 1997 drill hole samples were check analyzed with excellent correlation for copper and good correlation

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for gold.

Every forty soil samples analyzed included four random repeats, one standard and one blank. There was excellent correlation for copper among these samples and good to adequate gold correlation.

For the 2001 and 2002 sampling programs, all samples were collected by Northern Dynasty personnel or agents. A total of 658 analytical results were returned from the laboratory for soil samples from 601 locations in 2001, with a total of 374 analytical results returned from the laboratory for soil samples from 341 locations in 2002. The results included 30 lab duplicates and 60 lab standards.

Samples were air dried, then shipped by airfreight from the project site to Vancouver, B.C. via Anchorage, Alaska. They were imported under an Agriculture Canada permit and couriered to Acme Analytical Laboratories in Vancouver, B.C. This process took about two to three weeks. At Acme, the soils were dried and sieved through an 80 mesh screen in preparation for analysis (based on ASTM standard screen openings of 177 microns, minus 80 mesh material consists of particles that are less than 177 microns in at least two dimensions). At Acme Analytical Laboratories, the samples were analyzed for 32 elements using two methods. Gold content was determined to the 0.2 ppb level using the Acme Group 3A wet digestion method. A 10 g sample was digested in Aqua Regia, and analyzed by Graphite Furnace Atomic Absorption Spectroscopy or Inductively Coupled Plasma Mass Spectroscopy (ICP-MS) finish. The Acme Group 1D multi-element method was used on a minimum 1 g pulp to determine other elements and gold to the ppm level. In this method, the samples were digested in hot Aqua Regia and analyzed by Inductively Coupled Plasma Atomic Emission Spectroscopy (ICP-AES).

A total of 2,467 core samples, averaging 3.9 m in length, were taken from the 68 NQ2 (5.02 cm diameter) core holes drilled during 2002 by Northern Dynasty. The NQ2 drill core was boxed at the drill rig and transported daily by helicopter to Northern Dynasty's secure logging facility at the village of Iliamna, Alaska. All core drilled was sampled, except for 170 m of overlying Tertiary volcanic rocks in holes 2036 and 2040.

At the Iliamna facility, the drill core was geologically logged and digital photographs of each box of core were taken prior to sampling. These images were archived on electronic data storage disk, and provide an indication and record of the core recovery and rock quality. Sampling was performed by mechanically splitting the core in half lengthwise. The remaining half core was returned to the core boxes and is stored at a secure Iliamna warehouse. Samples were placed in bags and stored in a locked aircraft hangar prior to shipping via twice-weekly commercial airfreight service to Anchorage. From Anchorage the samples proceeded by commercial surface transport to the ALS Chemex sample preparation laboratory at Fairbanks.

At the Fairbanks laboratory, the sample bags were verified against the numbers listed on the shipment notice. The entire sample of drill core was dried, weighed and crushed to 70% passing 10 mesh (1.7 mm), then a 250 g split was taken and pulverized to 85% passing 200 mesh (75 micron). The pulp was split, and approximately 125 g shipped by commercial airfreight for analysis at ALS Chemex, North Vancouver, British Columbia. The remaining pulps were shipped to a secure warehouse for long-term storage at Port Kells, BC. The coarse rejects were held for several months at the Fairbanks laboratory until all Quality Assurance/Quality Control (QA/QC) measures were completed and then were discarded.

ALS Chemex of North Vancouver, BC, an ISO 9002 certified laboratory, performed the analytical work for the program. All 2,467 samples were analyzed by fire-assay for gold (Au), and for 34 elements, including copper (Cu) and molybdenum (Mo), using a standard multi-element geochemical method. In addition, several drill holes exhibiting copper-gold porphyry style mineralization were

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subject to Cu assay level determinations, and a few Mo assay level determinations were also performed.

Gold (Au) content was determined by 30 g Fire Assay (FA) fusion with lead as a collector and an Atomic Absorption Spectroscopy (AAS) finish. The four samples that returned Au results greater than 10,000 ppb, (10 g/t), were re-analyzed by 1 assay ton FA fusion with a gravimetric finish. All samples were subject to multi-element analysis for 34 elements, including Cu and Mo, by Aqua Regia (AR) digestion Inductively Coupled Plasma - Atomic Emission Spectroscopy (ICP-AES) finish.

A total of 1,822 samples from 31 holes drill holes exhibiting porphyry copper-gold style mineralization were assayed for Cu by four-acid (total) digestion with an AAS finish to the ppm level. For Cu assays > 10,000 ppm another total digestion AAS finish analysis was performed to the per cent level. A further 61 samples from drill hole 2034 were assayed for Mo by four acid digestion AAS finish to the ppm level.

As part of Northern Dynasty's analytical QAQC program, Cu-Au-bearing or Au-bearing standard reference samples were inserted with the regular samples. The 118 analyses of these standards represent over 5% of the total samples analyzed. For drill holes 2044 through 2068, an in-line reject duplicate was made and analyzed with the regular samples. The 65 analyses of duplicates, represents 4% of the total number of samples in this series. These standards and duplicates are in addition to the laboratory's internal quality control work. Inter-laboratory analysis included a total of 25 pulp duplicates analyzed for gold, and 13 reject duplicates analyzed for gold and four 1/4-core reject splits assayed for metallic gold by Acme Analytical Laboratories of Vancouver.

Remaining drill core is stacked and stored in Iliamna, Alaska. Pulps and rejects from pre-1997 drill core and all soil samples are now stored in Northern Dynasty's secured warehouse facility in Port Kells, British Columbia.

### CONCLUSIONS AND RECOMMENDATIONS

Northern Dynasty's 2002 exploration program successfully met its objectives by locating a new porphyry copper-gold deposit, a porphyry copper occurrence, a copper-gold skarn, and several high-grade gold occurrences within the multi-phase intrusive complex. In addition, the re-examination of the Pebble deposit drill core has revealed several areas within and adjacent to the deposit that have enhanced potential to host additional tonnages of higher-grade mineralization. In 2003, Northern Dynasty commissioned an independent mineral resource estimate that indicates that the Pebble deposit contains significant amounts of higher-grade mineralization.

Re-logging of the Pebble deposit has revealed several areas where higher than average copper and gold grades may be delineated to add to the presently defined, higher-grade resource and where the deposit may extend to the west and to the northeast. The reconnaissance drilling program elsewhere on the property discovered several new zones of mineralization that require follow-up and further assessment. Several IP chargeability and soil geochemical anomalies remain to be drill-tested for additional porphyry deposits.

When drilling within the Pebble deposit is undertaken, oriented core from inclined holes is required first, to determine the optimum hole-orientation in order to drill orthogonal to any dominant mineralized fracture and veinlet orientation. Appropriately oriented inclined holes will more closely reflect deposit grades than widely spaced vertical holes.

To generate a viable mining venture on the Pebble property, Northern Dynasty's priority objectives are to upgrade the established resources and fully delineate sufficient higher-grade copper-gold resources to provide the mill feed required

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for the rapid recovery of capital costs during the initial years of production from any potential mining operation. An aggressive exploration program involving the systematic assessment of all known zones of mineralization and the testing of the outstanding IP and soil geochemical anomalies is being considered. A budget for the maximum program is outlined below. The program would be undertaken on a staged basis as funds are available.

### ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

#### OVERVIEW

Northern Dynasty's business strategy is to acquire, explore and conduct preliminary engineering and economic analyses of mineralized deposits, which have large tonnage and multi-year production potential. This work is done with a view to enhancing the value of the mineral prospect and to thereafter seek to sell or joint venture the project to a major mining company at a profit. As an active junior resource issuer, Northern Dynasty does not consider it likely that even if project economics warrant commercial production that Northern Dynasty would have the financial and manpower resources to place the Pebble Project into commercial production itself, as such operations require large corporate, technical and financial infrastructure, which Northern Dynasty does not have nor intend to acquire.

Under Canadian generally accepted accounting principles (GAAP) corporate/administrative expenses are written-off yearly and property development and acquisition costs are deferred (or capitalized). Such costs are written-off when a company decides to abandon a property due to disappointing exploration program results which appear to warrant abandonment, or when it appears the deferred costs are likely not recoverable. Acquisition costs and exploration expenditures are usually financed through a combination of cash and common share issuances. The Canadian Institute of Chartered Accountants (CICA) has released an accounting guideline (AcG-11) wherein the CICA presents its views on the financial disclosure by companies that may be in the "development stage". As an active junior resource explorer, Northern Dynasty does not consider itself a development stage issuer, however, the issue is not free from uncertainty and some comment on this issue is believed by management of Northern Dynasty warranted for readers to understand the continuous financial disclosure of Northern Dynasty in future. Under the provisions of AcG-11, development stage resource companies are encouraged, but not required, to provide disclosure in the income statement and in the cash flow statement of cumulative balances from the inception of the development stage to the date of the statements rather than segmenting such information on an annual basis. As well, disclosure would also be made of all share capital issuances since inception. If Northern Dynasty were determined to be a "development stage" company, adoption of the provisions of AcG-11 would result in changes to Northern Dynasty's financial statement presentation, but as it would not affect Northern Dynasty's accounting policies, there would be no changes to Northern Dynasty's balance sheet and the annual current and historical financial statements on a year-to-date basis would not be materially different. Readers are reminded that Northern Dynasty is only required under U.S. law to report financial results annually (as a "foreign private issuer"), however, under Canadian law, Northern Dynasty must file such information quarterly and this information is available on the internet at [www.SEDAR.com](http://www.SEDAR.com).

Northern Dynasty's results of operations are economically evaluated by investors on an "event driven" basis in that exploration expenditures yield information on the nature, extent and statistical confidence (primarily from core drilling exploration programs) in a mineralized deposit's size and continuity which information is not contained in financial statements. Thus, it is difficult to evaluate the success of operations in a fiscal year by reference to the financial statements given that results are more appropriately measured by an evaluation of the minerals discovered and/or confirmed. Northern Dynasty's

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operating activities do not occur on a regular or periodic basis and are subject to the economic realities of metals prices and equity financing conditions for natural resource exploration issuers. Accordingly, it may not be meaningful to seek observable trends in financial operating statistics although liquidity statistics will be important. Northern Dynasty calculates an annual loss per share (which has varied over a range of \$0.01 to \$0.20 over the last three fiscal years), but is of the view that Northern Dynasty's share price does not vary in accordance with the loss per share statistic. Rather Northern Dynasty share prices vary with the outlook for its mineral projects and the price of the underlying market for gold and copper and the outlook for these metals.

Northern Dynasty's financial statements are prepared on the basis that it will continue operations as a going concern. Given that Northern Dynasty has no source of significant revenue this assumption is always subject to the further assumption that there will continue to be investment interest in equity funding exploration to seek large tonnage metal deposits. Northern Dynasty can give no assurance that it will continue to be able to raise sufficient funds and, should it be unable to continue to do so, may be unable to realize on the carrying value of the resource project. The net realizable value could be materially less than Northern Dynasty's liabilities with a potential for total loss to Northern Dynasty shareholders.

Northern Dynasty does not believe that it is significantly impacted by the effects of inflation nor currency moves as the Canadian dollar has fluctuated in a relatively narrow band to the United States dollar (US\$1.00: Cdn\$1.60 to \$1.43) during the last three years. Northern Dynasty's principal property is located in Alaska and most on-site property related expenses will be transacted in United States dollars. Northern Dynasty will monitor exchange rates and buy US dollars at the most favourable rates available to mitigate the effects of the United States/Canadian dollar exchange rate on our business. For additional details respecting the five year historical exchange rates, see Item 3A. Northern Dynasty has not been significantly affected by government economic, fiscal, monetary or political policies and the outlook for Northern Dynasty's assets primarily relate to the results of exploration and the outlook for copper and gold.

### OPERATING RESULTS

#### FISCAL 2002 COMPARED WITH FISCAL 2001

The Company writes off as expenses all its resource expenditures hence it recorded a loss of \$5,112,493 over the 2002 fiscal year as compared to a loss of \$4,120,331 over the first nine months of 2002 and \$1,454,844 in the prior fiscal year. The expenditures for fiscal 2002 year (\$5,101,817) are higher than in the prior fiscal year (\$1,563,515), and this is largely attributed to higher exploration costs (2002 - \$4,329,926; 2001 - \$1,168,394) incurred at the Pebble Project. Administrative costs were also higher in 2002 (2002 - \$771,881; 2001 - \$395,121) because of additional support for the exploration programs and securities reporting and registration activities. Expenses increased in 2002 over 2001 in all areas except for management and consulting fees and property investigation costs. The latter 2001 costs were related to the technical review and development of a qualifying report, and negotiation and completion of agreements on the Pebble Project.

Expenses decreased in the fourth quarter to \$988,986 as compared to \$1,564,462 in the third quarter, due mainly to a decrease in exploration expenditures (December 31, 2002 - \$737,287; September 30, 2002 - \$1,425,595). This decrease was partially offset by an increase in shareholder communication costs (December 31, 2002 - \$97,672; September 30, 2002 - \$17,872). Shareholder communication costs increased due to a wide distribution of information to potential investors during the quarter. Exploration expenditures decreased as site work was completed in the third quarter.

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The highest exploration expenditures in the fourth quarter were option payments (December 31, 2002 - \$420,000; September 30, 2002 - nil) for the Pebble property; geological wages (December 31, 2002 - \$89,798; September 30, 2002 - \$245,012) for compilation of the results from drilling and re-logging programs; site activities (December 31, 2002 - \$74,424; September 30, 2002 - \$199,071) which involved final payments for the third quarter work at site; and assays (December 31, 2002 - \$48,204; September 30, 2002 - \$53,216) for completion of analytical work on the drill core samples.

Hunter Dickinson Inc. ("HDI") of Vancouver, British Columbia is a private company with certain directors in common that carries out geological, corporate development, shareholder communications, administration and other management activities for, and incurs third party costs on behalf of, the Company. HDI is reimbursed on a full cost recovery basis. In fiscal 2002, Northern Dynasty paid \$1,227,425 to HDI, as compared to \$333,142 in fiscal 2001. The Company also paid \$28,698 to Hunter Dickinson Group Inc., a decrease from \$586,966 paid in fiscal 2001. (See also "Related Party Transactions".)

### FISCAL 2001 COMPARED WITH FISCAL 2000

The Company has recorded a loss of \$1,454,884 in fiscal 2001 compared to a loss of \$158,895 in 2000 due to higher expenses and lower interest income. Interest income was less (2001 - \$100,755; 2000 - \$150,903) in 2001 because of lower interest rates and lower cash balances.

Expenses for the year ending December 31, 2001 were \$1,563,515 as compared to \$316,033 in fiscal 2000. Expenses are higher in most categories in 2001, mostly directed toward acquisition of the Pebble Project in Alaska in the fourth quarter. Exploration expenses were the highest category (\$1,168,394); over \$537,000 of these expenditures were made to HDG for the 2001 Pebble exploration program, pursuant to the assignment agreement as described in the management discussion. The largest exploration expenditure was the option payment to Teck Cominco (\$398,343). The next largest exploration costs were geological expenses (\$277,700) for planning, executing and interpreting results of the exploration program, and also for costs related to the independent technical report. Other significant exploration costs were property fees and assessment (\$235,464) for claim staking and requisite filing fees for exploration work, helicopter charges (\$124,036) for transportation to and from the Pebble site, and site activities (\$61,328) for equipment and support of the geophysical and geochemical surveys.

Other significant expenditures in 2001 were on salaries and benefits and property investigations. Salaries and benefits increased from \$35,642 in 2000 to \$123,656, as promotional materials and disclosure documents on the Pebble project were developed, including an Annual Information Form in Canada and an initial filing on Form 20F for the US Securities and Exchange Commission. Property investigation expenditures decreased in 2001 because those related to the evaluation of the Pebble Project have now been assigned to exploration costs.

Northern Dynasty has no legally committed capital resources or other sources of debt or equity capital. Northern Dynasty generally secures funding by presenting resource projects to a network of exploration investors including individual, institutional and brokerage firms. Northern Dynasty's ability to fund projects is contingent on not only the perceived merits of its prospects but also on conditions generally in the exploration venture capital markets.

### B. LIQUIDITY AND CAPITAL RESOURCES

#### OVERVIEW

Historically, Northern Dynasty's source of funding has been the sale of equity

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securities for cash primarily through private placements to sophisticated investors and insiders and their associates. Northern Dynasty has no assurance of continued access to equity funding. Northern Dynasty believes it has sufficient working capital to meet its operating requirements to December 31, 2003 depending on the level of activity it pursues. Additional equity funding was secured in February 2002 and January 2003, an aggregate of \$1.3 million. Northern Dynasty's working capital on hand at May 1, 2003 will be used to complete the current exploration program (\$2.0 million inclusive of \$0.2 million for property maintenance) at the Pebble Property and pay 18 months' administration overhead (\$0.7 million) with the balance reserved for unallocated working capital. Contingent on positive results from the exploration program, Northern Dynasty will require additional financing to cover future exploration programs and ongoing administrative costs. The Company is actively sourcing additional funding however; there can be no assurance that Northern Dynasty will be able to raise the additional funds, and should it be unsuccessful, the Company would be required to scale back its operations.

Northern Dynasty has no legally committed capital resources or other sources of debt or equity capital. Northern Dynasty generally secures funding by presenting resource projects to a network of exploration investors including individual, institutional and brokerage firms. Northern Dynasty's ability to fund projects is contingent on not only the perceived merits of its prospects but also on conditions generally in the exploration venture capital markets.

### FISCAL 2002 COMPARED WITH FISCAL 2001

On July 29, 2002, the common shares of Northern Dynasty commenced trading on the OTC Bulletin Board ("OTCBB") in the United States. The Company now trades on the TSX Venture Exchange (symbol NDM) and the OTCBB (symbol NDMLF).

On August 27, 2002, the Company closed a private placement of 197,548 units at a price of \$1.05 per unit for net proceeds of \$190,815. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share at a price of \$1.15 until December 27, 2003. The share purchase warrants are subject to a four-month hold period and an accelerated expiry. If the closing price of the common shares as traded on the TSX Venture Exchange is greater than or equal to \$1.73 for ten consecutive trading days, warrant holders will be given notice that the warrants will expire in 45 days.

On January 14, 2003, Northern Dynasty completed a private placement by issuing 1,300,000 flow-through units and 400,000 non flow-through units at \$0.50 each. Each flow-through unit is comprised of a flow-through common share and a two-year non flow-through share purchase warrant. Each warrant entitles the Investor to purchase one common share at a price of \$0.60 for two years after the issue date. The non flow-through units are comprised of one common share and a two-year share purchase warrant with the same warrant terms. As at December 31, 2002, the Company received \$650,000 towards this private placement.

At December 31, 2002, Northern Dynasty has working capital of \$496,048, as compared to a working capital deficit of \$77,575 at the end of the previous quarter. Management is diligently seeking additional sources of equity financing to provide adequate working capital for ongoing operations and proposed exploration programs in 2003. Northern Dynasty had 15,515,323 common shares issued and outstanding at year-end.

### FISCAL 2001 COMPARED WITH FISCAL 2000

At December 31, 2001, Northern Dynasty has a positive working capital position of \$1.82 million (excluding the \$400,000 private placement announced December 13, 2001 and the \$1.0 million placement announced March 6, 2002), compared to \$2.64 million at the end of 2000. At December 31, 2001 Northern Dynasty has



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9,292,455 issued and outstanding shares.

In July 2001, the Company closed a private placement of 2,100,000 units at a price of \$0.30 of which 1,900,000 were placed to insiders of the Company and/or their associates. Each Unit issued on conversion of the Special Warrants comprised of one common share and one share purchase warrant exercisable to purchase an additional share at a price of \$0.40 for a two-year period from the date of issuance. The offering closed July 17, 2001. Proceeds, some \$630,000, from the placement will be used for working capital.

On December 13, 2001, the Company announced that it had reached agreement in principle for a private placement to insiders. The placement comprises 1,176,470 units at \$0.34 each. Each unit will consist of one common share and a share purchase warrant exercisable to purchase an additional common share at a price \$0.45 for a two-year period, subject to a four-month hold period. Proceeds will be used for working capital and for the advancement of exploration of the Pebble Project. The offering closed February 20, 2002.

On March 6, 2002 and subsequent to year-end, the company announced that it had reached agreement in principle with certain private investors to privately place 2,000,000 Units at a price of \$0.50 per Unit. Each Unit will comprise one share and one share purchase warrant exercisable to purchase an additional share at a price of \$0.62 for a two year period from the date of issuance. The Company will pay placement fees in accordance with TSX Venture Exchange Policies on a portion of the private placement. The offering closed April 19, 2002. Proceeds from the placement will be used for working capital and the advancement of the Pebble Project.

Northern Dynasty will consider raising, if possible, further funds for the Pebble Property contingent on the outcome of the first phase of exploration. Should Northern Dynasty be unable to arrange additional financing it would result in forfeiture of the Teck Cominco Options.

### FINANCIAL INSTRUMENTS

Northern Dynasty keeps its financial instruments denominated in Canadian dollars and does not engage in any hedging operations with respect to currency. Funds, which are currently excess to Northern Dynasty's needs, are invested in short term near cash investments pending the need for the funds.

Northern Dynasty does not have any material commitments for capital expenditures and accordingly can remain relatively flexible in gearing its activities to the availability of funds. As of the fiscal 2001 year-end, Northern Dynasty estimates that the cost of maintaining its corporate administrative activities at approximately \$40,000 per month. Accordingly, Northern Dynasty's management estimates that approximately \$0.48 million will be needed to maintain its corporate status and assets over the ensuing one-year period excluding Pebble Property activities. Northern Dynasty has current working capital of approximately \$500,000 as of December 31, 2002, but expects to be able to raise sufficient capital to fund the cost of the next two years administration and exploration programs. There is, however, no assurance that Northern Dynasty will be able to raise the required funds.

Northern Dynasty will consider raising, if possible, further funds for the Pebble Property contingent on the outcome of the first phase of exploration. Should Northern Dynasty be unable to arrange additional financing it would result in forfeiture of the Teck Cominco Options.

### C. RESEARCH EXPENDITURES

Northern Dynasty is a natural resource exploration expenditure based corporation and does not have a program of intellectual property development or patenting or

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licensing.

### D. TREND INFORMATION

As a natural resource exploration company, Northern Dynasty's activities are mainly event-driven, that is based on exploration successes and failures than seasonal, but it may be seen to be affected by the cyclic nature of metal prices. Northern Dynasty is aware many economists continue to predict economic softness and hence Northern Dynasty does not anticipate a near term recovery in the price of copper, but the price of gold has improved and the fundamentals are expected to be strong through 2003.

Copper is a commodity metal used extensively in the housing and automotive industries and accordingly demand for copper varies directly with general economic conditions. Copper prices decreased in 2002 due to the global economic slowdown. Copper prices fluctuated over the year in 2002 and averaged US\$0.71 per pound, but began to improve at year-end. Prices are projected to increase to about US\$0.90/lb by 2004.

The gold price increased significantly in 2002, averaging US\$308/oz compared to about US\$270/oz in 2001. Gold has continued its uptrend in early 2003, reaching as high as US\$380/oz in January, before dropping off to about US\$340/oz in February and March 2003.

### ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

#### A. DIRECTORS AND SENIOR MANAGEMENT

NAME, POSITION AND PLACE OF RESIDENCE	PERIOD A DIRECTOR OF NORTHERN DYNASTY	SHARES BEN OWNED OR CON
Ronald W. Thiessen Chief Executive Officer, President and Director West Vancouver, B.C. Canada	Since November 10, 1995 (President since October 31, 2001)	86,282
Bruce A. Youngman Vice-President and Director Vancouver, B.C. Canada	Since June 22, 1994 (President to October 31, 2001; now Vice-President)	475,400
Robert G. Hunter(2) Co-Chairman and Director Vancouver, B.C. Canada	Since June 18, 1996	502,682
Robert A. Dickinson(3)(4) Co-Chairman and Director Lions Bay, B.C. Canada	Since June 22, 1994	1,902,900
David J. Copeland Director Vancouver, B.C. Canada	Since June 18, 1996	92,250
Jeffrey R. Mason Chief Financial Officer, Secretary and Director Vancouver, B.C. Canada	Since June 18, 1996	450 Sh

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Scott D. Cousins  
Director  
Vancouver, B.C.  
Canada

Since June 18, 1996

61,382

(1) The information as to shares beneficially owned or controlled is furnished by the respective directors at May 31, 2002 and includes shares held through holding companies.

All directors have a term of office expiring at the next annual general meeting of Northern Dynasty. All officers have a term of office lasting until their removal or replacement by the Board of Directors. Management's approximately 3,121,346 shares represent approximately 17.3% of the 18,058,723 shares outstanding on May 1, 2003.

### PRINCIPAL OCCUPATION OF CURRENT MANAGEMENT OF NORTHERN DYNASTY

#### RONALD W. THIESSEN, C.A. - PRESIDENT, CHIEF EXECUTIVE OFFICER AND DIRECTOR

Ronald W. Thiessen is accredited as a public accountant in Canada and for the past several years, his principal occupation has been serving as a director and/or officer of several publicly-traded mineral exploration companies. Mr. Thiessen is employed by Hunter Dickinson Inc. (see Item 7), a company providing management and administrative services to several publicly-traded companies including Northern Dynasty, and he focuses on directing corporate development and financing activities. He is also a director of Hunter Dickinson Inc.

#### BRUCE A. YOUNGMAN, B.S.C. - VICE-PRESIDENT AND DIRECTOR

Mr. Youngman holds a Bachelor of Science degree in geology from the University of British Columbia and has been active in the mineral exploration field for more than 18 years. He is a director and an employee of Hunter Dickinson Inc. and an employee and officer of Northern Dynasty.

#### ROBERT G. HUNTER - CO-CHAIRMAN OF THE BOARD AND DIRECTOR

Robert G. Hunter for the past several years has been active as a mining promoter headquartered in Vancouver and continues to be active in the mining business although he now semi-retired. Mr. Hunter does not have any technical credentials in mining but through years as a businessman and insurance executive developed a network of venture capitalists in the mining field. Mr. Hunter has served as a director of other public companies listed at one time on the NASDAQ, The Toronto Stock Exchange (now the TSX Exchange) and Canadian Venture Exchange (now the TSX Venture Exchange). Mr. Hunter is Co-Chairman of Hunter Dickinson Inc.

#### ROBERT A. DICKINSON, B.S.C., M.S.C. - CO-CHAIRMAN OF THE BOARD AND DIRECTOR

Robert A. Dickinson is an economic geologist who serves as a member of management of several mineral exploration companies, primarily those for whom Hunter Dickinson Inc. provides services. He holds a Bachelor of Science degree (Hons. Geology) and a Master of Science degree (Business Administration - Finance) from the University of British Columbia. Mr. Dickinson has also been active in mineral exploration over 34 years. He is Co-Chairman and a director of Hunter Dickinson Inc. He is also President and Director of United Mineral Services Ltd., a private investment company.

#### JEFFREY R. MASON, CA - CHIEF FINANCIAL OFFICER, CORPORATE SECRETARY AND DIRECTOR

Jeffrey R. Mason holds a Bachelor of Commerce degree from the University of British Columbia and obtained his Chartered Accountant designation while specializing in the mining, forestry and transportation sectors at the

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international accounting firm of Deloitte & Touche. Following comptrollership positions at an international commodity mercantile and Homestake Mining Group of companies including responsibility for North American Metals Corp. and the Eskay Creek Project, Mr. Mason has spent the last seven years as a corporate officer and director to a number of publicly-traded (TSX, NASDAQ, TSX Venture) mineral exploration companies. Mr. Mason is also employed as Chief Financial Officer of Hunter Dickinson Inc. and his principal occupation is the financial administration of the public companies that Hunter Dickinson Inc. provides services for.

SCOTT D. COUSENS - DIRECTOR

Scott D. Cousens is responsible for corporate communications for the public companies for which Hunter Dickinson Inc. provides services. He also assists with financing initiatives given his background as a registered securities broker in the early 1990s.

DAVID J. COPELAND, P.ENG. - DIRECTOR

David J. Copeland is a geological engineer who graduated in economic geology from the University of British Columbia. With over 30 years of experience, Mr. Copeland has undertaken assignments in a variety of capacities in mine exploration, discovery and development throughout the South Pacific, Africa, South America and North America. His principal occupation is President and Director of CEC Engineering Ltd., a consulting engineering firm that directs and co-ordinates advanced technical programs for exploration on behalf of Northern Dynasty and other companies for which Hunter Dickinson Inc. provides services. He is also a director of Hunter Dickinson Inc.

### B. COMPENSATION

During Northern Dynasty's financial year ended December 31, 2002 the aggregate direct remuneration paid or payable to Northern Dynasty's directors and senior officers by Northern Dynasty was \$204,968. This figure includes any portion of remuneration received by the named person as an officer or employee of Hunter Dickinson Inc. that is attributable to Northern Dynasty's affairs.

Ronald W. Thiessen, President and Chief Executive Officer, and Bruce A. Youngman, former President, are each a "Named Executive Officer" of Northern Dynasty for the purposes of the following disclosure.

The compensation paid to each of the Named Executive Officers during Northern Dynasty's three most recently completed financial years is as set out below:

#### SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	ANNUAL COMPENSATION (\$)	AWARDS		PAYOU (\$)	LT PAYOU (\$)
					OTHER ANNUAL COMPENSATION (\$)	RESTRICTED SHARES OR RESTRICTED SHARES (\$)		
					SECURITIES UNDER OPTIONS/ SARS GRANTED (#)	RESTRICTED SHARES OR RESTRICTED SHARES (\$)		
Bruce A. Youngman(1)	2002	55,604	0	0	0	0		
Former President and Director	2001	54,080	0	0	7,500	0		
	2000	54,080	0	0	0	0		

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Ronald W. Thiessen(1)	2002	42,533	0	0	0	0
President, Chief Executive Officer and Director	2001	8,704	0	0	160,000	0

(1) Effective November 1, 2001, Bruce A. Youngman resigned as President of Northern Dynasty Minerals Ltd., and was appointed Vice-President so that he could focus on field exploration related to the Pebble Project. Ronald W. Thiessen was appointed President and CEO on November 1, 2001. He was not a Named Executive Officer during 2000.

No options were granted to the Named Executive Officers during the financial year ended December 31, 2002. No options were exercised by the Named Executive Officers during the financial year ended December 31, 2002. Subsequent to year-end, no options were exercised by Named Executive Officers. The value of the unexercised in-the-money options was \$35,175 at December 31, 2002 and \$243,250 at May 1, 2003.

TERMINATION OF EMPLOYMENT, CHANGE IN RESPONSIBILITIES AND EMPLOYMENT CONTRACTS

There are no compensatory plans or arrangements with respect to the Named Executive Officers resulting from the resignation, retirement or any other termination of employment of the officer's employment or from a change of the Named Executive Officer's responsibilities following a change in control.

COMPENSATION OF DIRECTORS

There were no arrangements, standard or otherwise, pursuant to which directors were compensated by Northern Dynasty for their services in their capacity as directors, or for committee participation, involvement in special assignments of for services as consultants or experts during the most recently completed financial year or subsequently, up to and including the date hereof. See also Item 7 regarding the potential value of the retained carried interest in the Pebble Property which, although it is not compensation, should be construed as a benefit to the directors.

SECURITY HOLDINGS OF INSIDERS WHO ARE MANAGEMENT (AS AT MAY 1, 2003)

NAME OF INSIDER	SHARES OWNED OR BENEFICIALLY CONTROLLED (3)	PERCENTAGE OF CURRENT ISSUED AND OUTSTANDING COMMON SHARES (4)	NUMBER OF OPTIONS OUTSTG TO INSIDER
David J. Copeland	92,250	0.5%	130,000
Scott D. Cousens	61,382	0.3%	160,000
Robert A. Dickinson(2)	1,902,900	10.5%	157,500
Robert G. Hunter	502,682	2.8%	80,000
Jeffrey R. Mason	450	0.0%	0
Ronald W. Thiessen	86,282	0.5%	160,000
Bruce A. Youngman	475,400	2.6%	7,500
TOTAL	3,121,346	17.3%	695,000

SECURITIES HELD BY INSIDERS

As of May 31, 2002 the directors and officers of Northern Dynasty and their affiliate held as a group, directly and indirectly, own or control an aggregate of 2,867,596 common shares (21.8% of outstanding common shares). Insiders also hold 780,732 options and 1,250,000 warrants to acquire additional common shares. To Northern Dynasty's knowledge, at May 31, 2002, there were no persons

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(exclusive of Mr. Robert A. Dickinson, Director, and Mrs. Carmen Dickinson, Mr. Dickinson's spouse, and the directors and officers as a group) holding more than 10% of the issued common shares of Northern Dynasty.

### C. BOARD PRACTICES

All directors were re-elected at the June 28, 2002 annual general meeting and have a term of office expiring at the next annual general meeting of Northern Dynasty scheduled for June 18, 2003. All officers have a term of office lasting until their removal or replacement by the Board of Directors.

During the financial year ended December 31, 2002, no options were granted to directors.

Ronald W. Thiessen, Robert A. Dickinson and Scott D. Cousens are members of Northern Dynasty's audit committee. Ronald W. Thiessen is Northern Dynasty's Chief Executive Officer and Mr. Dickinson is Co-Chairman. Northern Dynasty's directors are all active in its affairs and hence are not independent. The audit committee is elected annually by the directors of Northern Dynasty at the first meeting of the board held after Northern Dynasty's annual general meeting. Its primary function is to review the financial statements of Northern Dynasty before they are submitted to the board for approval. The audit committee is also available to assist the board if required with matters relating to the appointment of Northern Dynasty's auditor and the overall scope and results of the audit, internal financial controls, and financial information for publication for various purposes. Northern Dynasty has no remuneration committee.

### D. EMPLOYEES

At May 1, 2003, Northern Dynasty had no direct full-time employees, but rather it contracts staff from Hunter Dickinson Inc. on an as-need basis. Northern Dynasty's functions are primarily administered through Hunter Dickinson Inc. (see Item 7).

### E. SHARE OWNERSHIP - STOCK OPTIONS

As at May 1, 2003, an aggregate of 1,175,750 shares have been reserved for issuance pursuant to the following director, executive officer and service provider stock options:

#### (A) INCENTIVE OPTIONS

OPTIONHOLDER STATUS	NUMBER OF SHARES	EXERCISE PRICE	DATE OF GRANT	EXPIRY DATE
Directors and Officers of				
Northern Dynasty	695,000	\$0.40	May 15, 2001	May 15, 2004
	-----			
Employees and Consultants	288,250	\$0.40	May 15, 2001	May 15, 2004
	73,500	\$0.40	November 21, 2001	May 15, 2004
	119,000	\$0.40	December 11, 2002	December 20, 2004
	-----			
	480,750			
	-----			
	1,175,750			
	=====			

In fiscal 2002, 323,750 options were exercised with proceeds of \$131,450 at an

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average price of \$0.41 per share. In fiscal 2003 to May 1, 2003, 21,500 options were exercised, at an average price of \$0.41, with proceeds of \$8,840.

### (B) SHARE INCENTIVE PLAN

In order to provide incentive to directors, officers, employees, management and others who provide services to Northern Dynasty it has adopted a Share Incentive Plan (the "Plan"). The Plan was originally approved by shareholders at Northern Dynasty's annual general meeting held on June 24, 1999 and a resolution increasing the number of shares available for issuance under the Plan was approved by shareholders on June 20, 2000 and amended on June 28, 2002 (the "2002 Plan"). Under the 2002 Plan, a total of 2,600,000 shares of Northern Dynasty were reserved for share incentive options to be granted at the discretion of Northern Dynasty's board of directors to eligible optionees (the "Optionees"). At May 1, 2003 a total of 2,600,000 share incentive options are outstanding under the Plan of which 1,175,000 options have been granted, and 1,069,000 shares remain available for issuance to future Optionees. The 2003 shareholder's meeting (June 18, 2003) will seek authority to increase the Plan to 3,600,000 shares (the "2003 Plan").

### ELIGIBLE OPTIONEES

Under TSX policy, to be eligible for the issuance of a stock option under the 2002 Plan, an Optionee must either be a director, officer, employee, consultant or an employee of a company providing management or other services to Northern Dynasty or its subsidiary at the time the option is granted.

Options may be granted only to an individual or to a company that is wholly owned by individuals eligible for an option grant. If the option is granted to a company, the company must provide TSX Venture with an undertaking that it will not permit any transfer of its shares, nor issue further shares, to any other individual or entity as long as the incentive stock option remains in effect without the consent of TSX Venture.

### MATERIAL TERMS OF THE PLAN

The following is a summary of the material terms of the 2002 Plan (the Proposed 2003 Plan varies from the following only by the number of shares included)

- (a) all options granted under the 2002 Plan are non-assignable and non-transferrable and are up to a period of 5 years;
- (b) for stock options granted to employees or service providers (inclusive of management company employees), Northern Dynasty is required to represent that the proposed Optionee is a bona fide employee or service provider (inclusive of a management company employee), as the case may be, of Northern Dynasty;
- (c) Options granted pursuant to the Plan to Directors and all Employees employed by Northern Dynasty for a period of more than six months at the time the Option is granted shall vest as follows: (i) 1/3 of the total number of Options granted shall vest six months after the date of grant; (ii) a further 1/3 of the total number of Options granted shall vest one year after the date of grant; and (iii) the remaining 1/3 of the total number of Options granted shall vest 18 months after the date of grant.

Options granted pursuant to the Plan to an Employee who has been employed by Northern Dynasty for a period of less than six months at the time the Option is granted shall vest as follows: (a) 1/3 of the total number of Options granted shall vest one year after the date of grant; (b) a further 1/3 of the total number of Options granted shall vest 18 months after the date of grant; and (c) the remaining 1/3 of

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the total number of Options granted shall vest two years after the date of grant.

Options granted to Consultants retained by Northern Dynasty pursuant to a short-term contract or for a specific project with a finite term, shall be subject to such vesting provisions determined by the Board of Directors of Northern Dynasty at the time the Option Commitment is made.

Options issued to persons engaged in Investor Relations Activities vest in stages over 12 months, with 1/4 of such Options vesting in each three-month period commencing after three months from the Option Commitment.

- (d) Northern Dynasty has a share purchase option approval plan approved by the shareholders that allows it to grant options, subject to regulatory terms and approval, to its employees, officers, directors and non-employees. The exercise price of each option can be set equal to or greater than the closing price of the common shares on the TSX Venture on the day prior to the date of the grant of the option less the applicable discount according to TSX Venture policy. An option has a maximum term of ten years and terminates 30 days following the termination of the optionee's employment, except in the case of retirement or death. In the case of retirement, it terminates 30 to 90 days, at management's discretion, following retirement. In the case of death, it terminates at the earlier of one year after the event or the expiry of the option. Vesting of options is done at the discretion of the Board at the time the options are granted; and
- (e) the minimum exercise price of an option granted under the 2002 Plan must not be less than the closing price for Northern Dynasty's common shares as traded on the TSX Venture on the last trading day before the date that the option is granted less allowable discounts as permitted by TSX Venture of up to 25% (depending on the price at the time of grant).

Northern Dynasty has obtained "disinterested" shareholders' approval and therefore as permitted by TSX Venture policy:

- o the number of options granted to Insiders of Northern Dynasty may exceed 10% of Northern Dynasty's outstanding listed shares;
- o the aggregate number of options granted to Insiders of Northern Dynasty within a one year period may exceed
- o 10% of Northern Dynasty's outstanding listed shares; and
- o the number of options granted to any one Insider and such Insider's associates within a one year period may exceed 5% of Northern Dynasty's outstanding listed shares.

### DISINTERESTED SHAREHOLDER APPROVAL ("DSA")

"Disinterested Shareholder Approval" means the approval by a majority of the votes cast by all shareholders of Northern Dynasty at the shareholders' meeting excluding votes attached to listed shares beneficially owned by "insiders" of northern dynasty (generally officers and directors) to whom the dsa options have been granted under the 2002 Plan and associates of those insiders. The approval of the 2003 plan will also require DSA.

### ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

#### A. MAJOR SHAREHOLDERS



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Northern Dynasty's securities are recorded on the books of its transfer agent (Computershare Trust Company of Canada, 510 Burrard Street, Vancouver, B.C. V6C 3B9 (604) 661-0215) in registered form, however, the majority of such shares are registered in the name of intermediaries such as brokerage houses and clearing houses (on behalf of their respective brokerage clients). Northern Dynasty does not have knowledge or access to the identities of the beneficial owners of such shares registered through intermediaries. Based on information provided pursuant to Northern Dynasty's search of intermediaries, as of May 1, 2003, there were 279 registered shareholders of record holding a total of 18,058,723 common shares of Northern Dynasty. To the best of Northern Dynasty's knowledge, there were 143 registered shareholders of record with registered addresses in Canada (holding approximately 14,698,994 (81.4%) shares), 113 shareholders of record with registered addresses in the United States, (holding approximately 2,392,275 (13.2%) shares) and 23 shareholders of record with registered addresses in other countries (holding approximately 967,454 (5.4%) shares). Shares registered in intermediaries were assumed to be held by residents of the same country in which the clearing house was located. To the best of its knowledge, Northern Dynasty is not directly or indirectly owned or controlled by a corporation or foreign government. For information on the holdings of insiders see Item 6B. Since December 31, 2002 the proportion of shares held by Canadians has increased due to placements of securities to investors and insiders (see Item 7).

As of May 1, 2003, the only registered holders of 5% or more of the current issued and outstanding common shares of Northern Dynasty are Robert A. Dickinson (1,902,900 common shares - 10.5%), who is a director, Carmen Dickinson (2,536,670 common shares - 14.0%) and brokerage clearinghouses. The shareholdings of the individual directors are listed in Item 6A. The voting rights of the major shareholders do not differ from the voting rights of other Northern Dynasty shareholders.

The changes in the holdings of Northern Dynasty's principal shareholders in the last 3 years (in absolute numbers and as a percentage of then outstanding shares) is:

	HOLDINGS		HOLDINGS		HOLDINGS		H
	DECEMBER 31, 2000		DECEMBER 31, 2001		DECEMBER 31, 2002		
Robert A. Dickinson	659,900	(9.2%)	2,067,500	(22.2%)	1,611,200	(12.2%)	1,902,900
Carmen Dickinson (spouse)	151,200	(2.1%)	1,636,670	(17.6%)	1,636,670	(12.4%)	2,536,670
Bruce Youngman	579,500	(8.1%)	579,500	(6.2%)	470,400	(3.6%)	475,400

Under the British Columbia SECURITIES ACT insiders (generally officers, directors, holders of 10% or more of Northern Dynasty's shares) are required to file insider reports of changes in their ownership in the first 10 days of the month following a trade in Northern Dynasty's securities. Copies of such reports are available for public inspection at the offices of the British Columbia Securities Commission, 9th Floor, 701 West Georgia Street, Vancouver, British Columbia V7Y 1L2 (phone (604) 899-6500) or at the British Columbia Securities Commission web site ([www.bcsc.bc.ca](http://www.bcsc.bc.ca)). Commencing in June 2003 in British Columbia all insider reports must be filed electronically 10 days following the date of the trade at [www.sedi.ca](http://www.sedi.ca). The public will be able to access these reports at [www.sedi.ca](http://www.sedi.ca).

### B. RELATED PARTY TRANSACTIONS

No director or senior officer, and no associate or affiliate of the foregoing persons, and no insider has or has had any material interest, direct or indirect, in any other transactions, or in any other proposed transaction, which in either such case has materially affected or will materially affect Northern Dynasty or its predecessors during the years ended December 31, 2001 or December

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31, 2002 or in any pending transaction except as follows:

### (A) MANAGEMENT CONTRACTS

Northern Dynasty has a services agreement dated December 31, 1996 with Hunter Dickinson Inc. ("HDI"), a private company owned equally by nine public resource exploration companies (one of which is Northern Dynasty) and which is managed by directors the majority of whom are the same directors as those of Northern Dynasty. HDI is one of the larger independent mining exploration groups in North America and as of April 15, 2003 employs or retains on a substantially full-time basis, 16 geoscientists (of which 6 are professional geoscientists/P.Geol., 3 are geological engineers/P.Eng. and 2 are Ph.D.s), 2 licensed professional mining and 1 mechanical engineers (P.Eng.), 8 accountants (including 4 Chartered Accountants, 1 Certified Management Accountant and 1 Certified General Accountant) and 15 administrative staff. It has supervised mineral exploration projects in Canada (British Columbia, Manitoba, Ontario and Quebec) and internationally in Brazil, Chile, USA (Nevada and Alaska), Mexico and South Africa. HDI allocates the costs of staff input into projects like Pebble based on time records of involved personnel. The Services Agreement which can be terminated by either party on 30 days' notice at which time Northern Dynasty would surrender its one share of HDI. (See Item 19 - Exhibits.) Under the Services Agreement HDI provides ongoing geological, corporate development management and administrative services to Northern Dynasty on a full cost recovery basis and at a cost that is intended to be competitive with arm's length suppliers. During fiscal 2002, Northern Dynasty paid HDI \$1,227,425 for services rendered. HDI may also invoice exploration and operating advances in anticipation of services to be rendered. As of December 31, 2002, HDI had been advanced \$79,350 in excess of services rendered to that date. The nine directors of HDI are the seven directors of Northern Dynasty plus two other persons not related to Northern Dynasty.

### (B) PROPERTY OPTION ASSIGNMENT

HDG Assignment dated October 29, 2001 between Hunter Dickinson Group Inc. and Northern Dynasty respecting the Pebble Property Option. (See Item 4A and Item 19 - Exhibits.) As of April 30, 2002, Northern Dynasty had fully paid HDG for Pebble expenditures. Hunter Dickinson Group Inc. (herein "HDG") is a private company which seeks to source and secure rights to mineral prospect opportunities for its own account and for purposes of involving public companies by way of option, joint venture or assignment of all or a part of HDG's rights. HDG has assigned prospect interests to both arm's length and non-arm's length companies. HDG will generally risk its own funds on preliminary exploration costs before assigning its interest in a prospect on terms negotiated with the transferee company. Such assignments generally require the acceptance by the TSX Venture (which Northern Dynasty has received) and in some cases the shareholders of the public company (by approval of a majority of the disinterested shareholders of the transferee). All of the directors of Northern Dynasty, except Mr. Youngman, are among the seven directors of HDG, and HDG has one independent director. The shares of HDG are held by Messrs. R.A. Dickinson, R.W. Thiessen, J.R. Mason, D.J. Copeland, S.D. Cousins, R.G. Hunter, and D.S. Jennings, each of whom is a director of Northern Dynasty, except D.S. Jennings. HDG is the corporate trustee of seven director family trusts to which such named directors and their family members are beneficiaries. Northern Dynasty is received disinterested shareholder approval for the transaction at its June 28, 2002 annual shareholders meeting.

### (C) PARTICIPATION IN PRIVATE PLACEMENTS

On December 13, 2001 Northern Dynasty announced a private placement financing to raise additional working capital of \$400,000 by issuing 1,176,470 Units for \$0.34 each. Each Unit was comprised of one common share and one share purchase warrant, with each share purchase warrant exercisable at \$0.45 for two years.

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Robert A. Dickinson and his spouse were the only participating insiders and they completed the purchase of 1,029,470 of the Units on February 20, 2002, after receiving TSX Venture Exchange acceptance for filing.

In January 2003, the Company completed a private placement consisting of 1,700,000 Units at a price of \$0.50 per Unit. Each Unit was comprised of one common share and one share purchase warrant exercisable into one common share at \$0.60. The participating insiders were:

Robert A. Dickinson	100,000 units
491038 BC Ltd (1)	100,000 units
United Mineral Services Ltd.(1)	200,000 units
Bruce A. Youngman	20,000 units

(1) Private companies controlled by Mr. Dickinson

### (D) DIRECTORS AND OFFICERS

Directors and officers of Northern Dynasty may from time to time serve as directors of and have an interest, either directly or indirectly, in other companies involved in natural resource exploration and development. As a result, a director of Northern Dynasty may be presented, from time to time, with situations, which give rise to an apparent conflict of interest. On any conflict situation, a director may abstain from voting on resolutions of the Board of Directors that evoke such conflict in order to have the matter resolved by an independent Board, or the situation may be presented to the shareholders of Northern Dynasty for ratification. In any event, the directors of Northern Dynasty must, in accordance with the laws of British Columbia, act honestly and in good faith and in the best interests of Northern Dynasty, and must exercise the care, diligence and skill of a reasonably prudent person in dealing with the affairs of Northern Dynasty.

(E) See also, ITEM 6B - Compensation of Directors regarding cash compensation and ITEM 6E re Options.

### C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

## ITEM 8 FINANCIAL INFORMATION

### A. STATEMENTS AND OTHER FINANCIAL INFORMATION

See "Item 17 Financial Statements" and pages 2 to 4.

### LEGAL PROCEEDINGS

Northern Dynasty is not involved in any litigation or legal proceedings and to Northern Dynasty's knowledge, no material legal proceedings involving Northern Dynasty are to be initiated against Northern Dynasty.

### DIVIDEND POLICY

Northern Dynasty has not paid any dividends on its outstanding common shares since its incorporation and does not anticipate that it will do so in the foreseeable future. All funds of Northern Dynasty are being retained for exploration of its Projects.

### B. SIGNIFICANT CHANGES

There have been no significant changes to the business of Northern Dynasty since December 31, 2002.

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### ITEM 9 THE OFFER AND LISTING

#### A. OFFER AND LISTING DETAILS

##### TRADING MARKETS

##### TSX VENTURE:

NDM - Trading in Canadian Dollars

	High (\$)	Low (\$)
<b>ANNUAL</b>		
2003 (to May 1, 2003)	0.90	0.55
2002	1.44	0.42
2001	0.79	0.32
2000	0.66	0.40
1999	0.57	0.32
1998	0.75	0.37
1997	1.95	1.00
1996	2.00	1.02

##### BY QUARTER

##### Calendar 2000

First Quarter	0.66	0.48
Second Quarter	0.42	0.40
Third Quarter	0.50	0.41
Fourth Quarter	0.51	0.40

##### Calendar 2001

First Quarter	0.46	0.32
Second Quarter	0.49	0.36
Third Quarter	0.55	0.35
Fourth Quarter	0.79	0.38

##### Calendar 2002

First Quarter	1.20	0.43
Second Quarter	1.44	0.95
Third Quarter	1.24	0.54
Fourth Quarter	0.74	0.42

##### Calendar 2003

First Quarter	0.90	0.55
Second Quarter (to May 1, 2003)	0.88	0.70

##### MONTHLY

April 2003	0.88	0.70
March 2003	0.75	0.60
February 2003	0.75	0.60
January 2003	0.90	0.55
December 2002	0.65	0.49
November 2002	0.57	0.42
October 2002	0.74	0.43
September 2002	0.86	0.54

##### OTC BULLETIN BOARD:

Trading in United States Dollars

	High (\$)	Low (\$)
<b>ANNUAL</b>		

2003 (to May 1, 2003)	0.90	0.55
2002 (from July 29, 2002)	1.44	0.42

##### BY QUARTER

##### Calendar 2000

First Quarter	0.66	0.48
Second Quarter	0.42	0.40
Third Quarter	0.50	0.41
Fourth Quarter	0.51	0.40

##### Calendar 2001

First Quarter	0.46	0.32
Second Quarter	0.49	0.36
Third Quarter	0.55	0.35
Fourth Quarter	0.79	0.38

##### Calendar 2002

First Quarter	1.20	0.43
Second Quarter	1.44	0.95
Third Quarter (from July 20, 2002)	1.24	0.54
Fourth Quarter	0.74	0.42

##### Calendar 2003

First Quarter	0.90	0.55
Second Quarter (to May 1, 2003)	0.88	0.70

##### MONTHLY

April 2003	0.88	0.70
March 2003	0.75	0.60
February 2003	0.75	0.60
January 2003	0.90	0.55
December 2002	0.65	0.49
November 2002	0.57	0.42
October 2002	0.74	0.43
September 2002	0.86	0.54

Northern Dynasty share trading information is also available through free internet search services (for example, see Yahoo.com, enter NDM.V NDMLF).

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### B. PLAN OF DISTRIBUTION

Not applicable.

### C. MARKETS

The shares of Northern Dynasty have traded in Canada on the TSX Venture Exchange (successor Exchange to the Canadian Venture and Vancouver Stock Exchanges) since 1994, (symbol-NDM @ Yahoo NDM.V). Since July 20, 2002, Northern Dynasty's shares have traded in the United States on the OTC Bulletin Board.

### D. SELLING SHAREHOLDERS

Not applicable.

### E. DILUTION

Not applicable.

### F. EXPENSES OF THE ISSUE

Not applicable.

## ITEM 10 ADDITIONAL INFORMATION

### A. SHARE CAPITAL

Northern Dynasty's share capital consists of one class only, namely common shares without par value, of which 100,000,000 shares are authorized and 15,515,223 common shares without par value are issued and outstanding as fully paid and non-assessable as of December 31, 2002 and 18,058,723 common shares outstanding as of May 1, 2003. The accompanying audited financial statements provides details of all share issuances effected by Northern Dynasty in the issue price per share for the three previous fiscal years ended December 31, 2002. There are no shares of Northern Dynasty, which are held by or on behalf of Northern Dynasty. There have been no changes in the classification of common shares (reclassifications, consolidations, reverse splits or the like) within the previous five years. All common shares of Northern Dynasty rank pari passu (i.e. equally) for the payment of any dividends and distributions in the event of a windup. A summary of Northern Dynasty's dilutive securities (convertible or exercisable into common shares) is as follows:

#### (A) HISTORY OF SHARE CAPITAL

A summary of Northern Dynasty's share capital for the last three years as follows:

	Number of	Shares
Balance, December 31, 1998 and 1999	7,177,455	\$
Share purchase options exercised at \$0.50 each	5,000	
<hr/>		
Balance, December 31, 2000	7,182,455	
Private placement at \$0.30	2,100,000	
Share purchase options exercised at \$0.55	2,500	
Share purchase options exercised at \$0.40	7,500	
<hr/>		
Balance, December 31, 2001	9,292,455	
Private placement at \$0.34	1,176,470	
Private placement at \$0.50	2,000,000	
Private placement at \$1.05	197,548	
Issued for options at \$0.40	310,750	

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Issued for options at \$0.55	13,000	
Warrants exercised at \$0.40	1,325,000	
Issued for Pebble property	1,200,000	
-----		
Balance, December 31, 2002	15,515,223	1
Private placement at \$0.50	1,700,000	
Issued for options at \$0.40	13,500	
Issued for options at \$0.43	8,000	
Warrants exercised at \$0.45	147,000	
Warrants exercised at \$0.62	100,000	
Warrants exercised at \$0.40	575,000	
-----		
BALANCE, MAY 1, 2003	18,058,723	\$ 1
=====		

(B) WARRANTS

Outstanding warrants from transactions at May 1, 2003

NUMBER	EXERCISE PRICE	EXPIRY M/Y
-----	-----	-----
200,000	\$0.40	July, 2003
1,029,4700	0.45	February, 2004
250,000	0.60	December, 2004
1,700,000	0.60	January 2005
1,900,000	0.62	April, 2004
500,000	0.75	December, 2003
197,548	1.15	December, 2003
500,000	1.15	March, 2004
-----		
6,277,018		
=====		

(C) OTHER POTENTIAL SHARE ISSUANCES

A summary of Northern Dynasty's diluted share capital at May 31, 2003 is as follows:

(a)	Issued	18,058,723
(b)	Options outstanding	1,175,750
(c)	Warrants outstanding	6,277,018
		-----
	Diluted share position (1)	25,511,491
		=====

NOTES:

(1) Excludes further shares potentially issuable under Pebble Agreement because these are optional only and not legal commitments to issue shares.

See Item 6E for information regarding Northern Dynasty's Share Incentive Plan.

B. MEMORANDUM AND ARTICLES OF ASSOCIATION

Northern Dynasty's corporate constituting documents comprising Articles of Association and Memorandum are registered with the British Columbia Registrar of Companies under Corporation No. 262963. A copy of the Articles of Association and Memorandum are filed with the initial registration statement on Form 20F as an exhibit. (See Item 19.)

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### OBJECTS AND PURPOSES

Northern Dynasty's Memorandum of Incorporation and Articles of Association ("Articles") do not specify objects or purposes. Under British Columbia corporate law (the British Columbia COMPANY ACT or herein "BCCA"), a British Columbia corporation generally has all the legal powers of a natural person. British Columbia corporations may not undertake certain limited business activities such as operating as a trust company or railroad without alterations to its form of articles and specific government consent.

### DIRECTORS - POWERS AND LIMITATIONS

Northern Dynasty's Articles do not specify a maximum number of directors (the minimum under British Columbia law for a public company is three). The number of directors is fixed, annually, by shareholders at the annual Shareholders meeting and all directors are elected at that time - there are no staggered directorships. Under the BCCA, directors are obligated to abstain from voting on matters in which they may be financially interested after disclosing in writing such interest. Directors' compensation is not a matter on which they must abstain. Directors must be of the age of majority (18), and meet eligibility criteria including being mentally competent, not an undischarged bankrupt, no fraud related convictions in the previous five years and a majority of directors must be ordinarily resident in Canada. There is no mandatory retirement age either under Northern Dynasty's Articles or under the BCCA.

Directors' borrowing powers are not generally restricted where the borrowing is in Northern Dynasty's best interests, but the directors may not authorize Northern Dynasty to provide financial assistance for any reason where Northern Dynasty is insolvent or the providing of the guarantee would render it insolvent. Directors need not own any shares of Northern Dynasty in order to qualify as directors.

The Articles specify that the number of directors shall be the number of directors fixed by shareholders annually or the number, which are actually elected at a general shareholders meeting. The number of directors is determined, annually, by shareholders at the annual Shareholders meeting and all directors are elected at that time. Under the Articles, the directors are entitled between successive annual general meetings to appoint one or more additional directors but not more than one-third of the number of directors fixed at a shareholders or actually elected at the preceding annual shareholders' meeting. Directors automatically retire at the commencement of each annual meeting but may be re-elected thereat.

Under the Articles, a director who is any way directly or indirectly interested in a proposed contract or transaction with Northern Dynasty, or who holds any office or possesses any property whereby directly or indirectly a duty might be created which would conflict with his duty or interest as a director, shall declare in writing the nature and extent of such interest in such contract or transaction. A director shall not vote in respect of any such contract or transaction if the company in which he is interested and if he should vote his vote shall not be counted but shall be counted in the quorum present at the meeting. Similarly, under the BCCA directors are obligated to abstain from voting on matters in which they may be financially interested after fully disclosing such interest. Directors must abstain from voting in such circumstances both under the Articles and under the BCCA.

### CHANGES TO RIGHTS OF COMMON SHAREHOLDERS

Changes to the Articles and memorandum of Northern Dynasty require a shareholders' "special resolution" being a resolution passed by not less than 75% of the shares voted in person or by proxy at a duly convened shareholders meeting. Some organic corporate changes including amalgamation with another

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company, sale of substantially all of Northern Dynasty's assets, redomiciling out of the jurisdiction of British Columbia, creation of new classes of shares not only require such 75% approval but generally also give rise to a dissent right which is the right to be paid the fair value of the stockholder's shares in cash if the required special resolution is actually passed and Northern Dynasty elects to proceed with the matter notwithstanding receipt of dissent notices. A notice of a shareholders meeting at which such an organic change action is intended to be considered must include a prominent notice of the dissent right. Dissent provisions are governed by the BCCA and not by the Articles of Northern Dynasty.

### SHAREHOLDERS MEETINGS

Shareholders meetings are governed by the Articles of Northern Dynasty but many important shareholder protections are also contained in the SECURITIES ACT (British Columbia) and the BCCA. The Articles provide that Northern Dynasty will hold an annual shareholders' meeting, will provide at least 21 days' notice and will provide for certain procedural matters and rules of order with respect to conduct of the meeting. The SECURITIES ACT (British Columbia) and the BCCA superimpose requirements that generally provide that shareholders meetings require not less than a 60 day notice period from initial public notice and that Northern Dynasty makes a thorough advanced search of intermediary and brokerage registered shareholdings to facilitate communication with beneficial shareholders so that meeting proxy and information materials can be sent via the brokerages to unregistered but beneficial shareholders, The form and content of information circulars and proxies and like matters are governed by the SECURITIES ACT and the BCCA. This legislation specifies the disclosure requirements for the proxy materials and various corporate actions, background information on the nominees for election for director, executive compensation paid in the previous year and full details of any unusual matters or related party transactions. Northern Dynasty must hold an annual shareholders meeting open to all shareholders for personal attendance or by proxy at each shareholder's determination. The meeting must be held within 13 months of the previous annual shareholders meeting and must present audited statements that are no more than 180 days old at such meeting.

### Shares Fully Paid

All Northern Dynasty shares must, by applicable law, be issued as fully paid for cash, property or services. They are therefore non-assessable and not subject to further calls for payment.

### Redemption

Northern Dynasty has no redeemable securities authorized or issued. Therefore, Northern Dynasty has no sinking fund or like security redemption fund.

### PRE-EMPTIVE RIGHTS

There are no pre-emptive rights applicable to Northern Dynasty which provide a right to any person to participate in offerings of Northern Dynasty's equity or other securities

### RIGHTS TO PROFITS AND LIQUIDATION RIGHTS

All common shares of Northern Dynasty participate rateably in any net profit or loss of Northern Dynasty and shares rateably any available assets in the event of a winding up or other liquidation.

### NO LIMITATION ON FOREIGN OWNERSHIP

There are no limitations under Northern Dynasty's Articles or in the BCCA on the



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right of persons who are not citizens of Canada to hold or vote common shares. (See also "Exchange Controls".)

### DIVIDENDS

Dividends may be declared by the Board out of available assets and are paid rateably to holders of common shares. No dividend may be paid if Northern Dynasty is, or would thereby become, insolvent.

### VOTING RIGHTS

Each Northern Dynasty share is entitled to one vote on matters to which common shares ordinarily vote including the annual election of directors, appointment of auditors and approval of corporate changes. There are no cumulative voting rights applicable to Northern Dynasty.

### CHANGE IN CONTROL

Northern Dynasty has not implemented any shareholders' rights or other "poison pill" protection against possible take-overs. Northern Dynasty does not have any agreements that are triggered by a take-over or other change of control. There are no provisions in its articles triggered by or affected by a change in outstanding shares which gives rise to a change in control. There are no provisions in Northern Dynasty's material agreements giving special rights to any person on a change in control.

### INSIDER SHARE OWNERSHIP REPORTING

The articles of Northern Dynasty do not require disclosure of share ownership. Share ownership of director nominees must be reported annually in proxy materials sent to Northern Dynasty's shareholders. There are no requirements under British Columbia corporate law to report ownership of shares of Northern Dynasty but the SECURITIES ACT (British Columbia) requires disclosure of trading by insiders (generally officers, directors and holders of 10% of voting shares) within 10 days of the trade. Controlling shareholders (generally those in excess of 20% of outstanding shares) must provide seven days advance notice of share sales. Copies of such reports are available for public inspection at the offices of the British Columbia Securities Commission, 9th Floor, 701 West Georgia Street, Vancouver, British Columbia V7Y 1L2 telephone (604) 899-6500 or at the British Columbia Securities Commission web site ([www.bcsc.bc.ca](http://www.bcsc.bc.ca)). Commencing June 2003 insider reports will be available online on SEDI website ([www.sedi.ca](http://www.sedi.ca)).

### SECURITIES ACT (BRITISH COLUMBIA)

This statute applies to Northern Dynasty and governs matters typically pertaining to public securities such as continuous quarterly financial reporting, immediate disclosure of material changes, insider trade reporting, take-over protections to ensure fair and equal treatment of all shareholders, exemption and resale rules pertaining to non-prospectus securities issuances as well as civil liability for certain misrepresentations, disciplinary, appeal and discretionary ruling matters. All Northern Dynasty shareholders regardless of residence have equal rights under this legislation.

### Alaska Subsidiary

This company is wholly-owned by Northern Dynasty and has constituting documents ordinary to such single-purpose corporations.

### C. MATERIAL CONTRACTS

Northern Dynasty's material contracts as of May 1, 2003 are:

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(a) Amended Share Incentive Plan dated for reference June 28, 2002 (see Item 6E);

(b) HDG Assignment Agreement, dated October 29, 2001, and underlying Teck Cominco Options of the Resource Lands and the Exploration Lands of the Pebble Property and Consent for the Assignment related to the Pebble Property (see Item 4 - Pebble Property Option Agreements and Item 7B(b) - Major Shareholders and Related Party Transactions);

(c) Geological Management and Administration Services Agreement with HDI dated for reference December 31, 1996. (See Item 7B(a) - Major Shareholders and Related Party Transactions for details on amounts paid to HDI under the services agreement.)

### D. EXCHANGE CONTROLS

Northern Dynasty is a Province of British Columbia, Canada corporation. There is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to a non-resident holder of Common Shares, other than withholding tax requirements. Any such remittances to United States residents are generally subject to withholding tax, however no such remittances are likely in the foreseeable future. See "Taxation", below.

There is no limitation imposed by the laws of Canada or by the charter or other constituent documents of Northern Dynasty on the right of a non-resident to hold or vote its common shares, other than as provided in the INVESTMENT CANADA ACT (Canada) (the "INVESTMENT ACT"). The following discussion summarizes the material features of the INVESTMENT ACT for a non-resident who proposes to acquire a controlling number of Northern Dynasty's common shares. It is general only, it is not a substitute for independent advice from an investor's own advisor, and it does not anticipate statutory or regulatory amendments. Northern Dynasty does not believe the INVESTMENT ACT will have any affect on it or on its non-Canadian shareholders due to a number of factors including the nature of its operations and Northern Dynasty's relatively small capitalization.

The INVESTMENT ACT generally prohibits implementation of a "reviewable" investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture (each an "entity") that is not a "Canadian" as defined in the INVESTMENT ACT (i.e. a "non-Canadian"), unless after review the Director of Investments appointed by the minister responsible for the INVESTMENT ACT is satisfied that the investment is likely to be of net benefit to Canada. The size and nature of a proposed transaction may give rise to an obligation to notify the Director to seek an advance ruling. An investment in Northern Dynasty's common shares by a non-Canadian (other than a "WTO Investor" as that term is defined in the INVESTMENT ACT and which term includes entities which are nationals of or are controlled by nationals of member states of the World Trade Organization), when Northern Dynasty was not controlled by a WTO Investor, would be reviewable under the INVESTMENT ACT if it was an investment to acquire control of Northern Dynasty and the value of the assets of Northern Dynasty, as determined in accordance with the regulations promulgated under the Investment Act, was over a certain figure, or if an order for review was made by the federal cabinet on the grounds that the investment related to Canada's cultural heritage or national identity, regardless of the value of the assets of Northern Dynasty. An investment in the Common Shares by a WTO Investor, or by a non-Canadian when Northern Dynasty was controlled by a WTO Investor, would be reviewable under the INVESTMENT ACT if it was an investment to acquire control of Northern Dynasty and the value of the assets of Northern Dynasty, as determined in accordance with the regulations promulgated under the Investment Act, was not less than a specified amount, which for 2000 exceeds Cdn\$192 million. A non-Canadian would acquire control of Northern Dynasty for the

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purposes of the INVESTMENT ACT if the non-Canadian acquired a majority of the Common Shares. The acquisition of less than a majority but one-third or more of the Common Shares would be presumed to be an acquisition of control of Northern Dynasty unless it could be established that, on the acquisition, Northern Dynasty was not controlled in fact by the acquiror through the ownership of the Common Shares.

The foregoing assumes Northern Dynasty will not engage in the production of uranium or own an interest in a producing uranium property in Canada, or provide any financial service or transportation service, as the rules governing these businesses are different.

Certain transactions relating to the Common Shares would be exempt from the INVESTMENT ACT, including

(a) an acquisition of the Common Shares by a person in the ordinary course of that person's business as a trader or dealer in securities,

(b) an acquisition of control of Northern Dynasty in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the INVESTMENT ACT, and

(c) an acquisition of control of Northern Dynasty by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of Northern Dynasty, through the ownership of the Common Shares, remained unchanged.

### E. TAXATION

#### MATERIAL CANADIAN FEDERAL INCOME TAX CONSEQUENCES FOR UNITED STATES RESIDENTS

The following, in management's understanding summarizes the material Canadian federal income tax consequences generally applicable to the holding and disposition of Common Shares by a holder (in this summary, a "U.S. Holder") who, (a) for the purposes of the Income Tax Act (Canada) (the "Tax Act"), is not resident in Canada, deals at arm's length with Northern Dynasty, holds the Common Shares as capital property and does not use or hold the Common Shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) for the purposes of the Canada-United States Income Tax Convention, 1980 (the "Treaty"), is a resident solely of the United States, has never been a resident of Canada, and has not held or used (and does not hold or use) Common Shares in connection with a permanent establishment or fixed base in Canada. This summary does not apply to traders or dealers in securities, limited liability companies, tax-exempt entities, insurers, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), or any other U.S. Holder to which special considerations apply.

This summary is based on the current provisions of the Tax Act including all regulations thereunder, the Treaty, all proposed amendments to the Tax Act, the regulations and the Treaty publicly announced by the Government of Canada to the date hereof, and the current administrative practices of the Canada Customs and Revenue Agency. It has been assumed that all currently proposed amendments will be enacted as proposed and that there will be no other relevant change in any governing law or administrative practice, although no assurances can be given in these respects. This summary does not take into account provincial, U.S., state or other foreign income tax law or practice. The tax consequences to any particular U.S. Holder will vary according to the status of that holder as an individual, trust, corporation, partnership or other entity, the jurisdictions in which that holder is subject to taxation, and generally according to that holder's particular circumstances. Accordingly, this summary is not, and is not

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to be construed as, Canadian tax advice to any particular U.S. Holder.

### DIVIDENDS

Dividends paid or deemed to be paid to a U.S. Holder by Northern Dynasty will be subject to Canadian withholding tax. Under the Treaty, the rate of withholding tax on dividends paid to a U.S. Holder is generally limited to 15% of the gross amount of the dividend (or 5% if the U.S. Holder is a corporation and beneficially owns at least 10% of Northern Dynasty's voting shares). Northern Dynasty will be required to withhold the applicable withholding tax from any such dividend and remit it to the Canadian government for the U.S. Holder's account.

### DISPOSITION

A U.S. Holder is not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of a Common Share in the open market unless the share is "taxable Canadian property" to the holder thereof and the U.S. Holder is not entitled to relief under the Treaty. A Common Share will be taxable Canadian property to a U.S. Holder if, at any time during the 60 months preceding the disposition, the U.S. Holder or persons with whom the U.S. Holder did not deal at arm's length alone or together owned, or had rights to acquire, 25% or more of Northern Dynasty's issued shares of any class or series.

A U.S. Holder whose Common Shares do constitute taxable Canadian property, and who might therefore be liable for Canadian income tax under the Tax Act, will generally be relieved from such liability under the Treaty unless the value of such shares at the time of disposition is derived principally from real property situated in Canada. Management of Northern Dynasty believes that the value of Northern Dynasty's Common Shares is not currently derived principally from real property situated in Canada.

### UNITED STATES TAX CONSEQUENCES

#### UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is, in management's understanding a discussion of the material United States federal income tax consequences, under current law, generally applicable to a U.S. Holder (as hereinafter defined) of common shares of Northern Dynasty. This discussion does not address all potentially relevant federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. (see "Taxation - Canadian Federal Income Tax Consequences" above). Accordingly, holders and prospective holders of common shares of Northern Dynasty should consult their own tax advisors about the specific federal, state, local, and foreign tax consequences to them of purchasing, owning and disposing of common shares of Northern Dynasty, based upon their individual circumstances.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time and which are subject to differing interpretations. This discussion does not consider the potential effects, both adverse and beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

#### U.S. HOLDERS

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As used herein, a "U.S. Holder" means a holder of common shares of Northern Dynasty who is a citizen or individual resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision thereof, an estate whose income is taxable in the United States irrespective of source or a trust subject to the primary supervision of a court within the United States and control of a United States fiduciary as described Section 7701(a)(30) of the Code. This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to specific provisions of federal income tax law, such as tax-exempt organizations, qualified retirement plans, individual retirement accounts and other tax-deferred accounts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a "functional currency" other than the U.S. dollar, shareholders subject to the alternative minimum tax, shareholders who hold common shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. Holders who own common shares as capital assets and who own (directly and indirectly, pursuant to applicable rules of constructive ownership) no more than 5% of the value of the total outstanding stock of Northern Dynasty. This summary does not address the consequences to a person or entity holding an interest in a shareholder or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares. In addition, this summary does not address special rules applicable to United States persons (as defined in Section 7701(a)(30) of the Code) holding common shares through a foreign partnership or to foreign persons holding common shares through a domestic partnership.

### DISTRIBUTION ON COMMON SHARES OF NORTHERN DYNASTY

In general, U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of Northern Dynasty are required to include in gross income for United States federal income tax purposes the gross amount of such distributions, equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that Northern Dynasty has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's federal taxable income by those who itemize deductions. (See more detailed discussion at "Foreign Tax Credit" below). To the extent that distributions exceed current or accumulated earnings and profits of Northern Dynasty, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the common shares and thereafter as gain from the sale or exchange of property. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally, any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized gain does not exceed \$200 will not recognize that gain, provided that there are no expenses associated with the transaction that meet the requirements for deductibility as a trade or business expense (other than travel expenses in connection with a business trip) or as an expense for the production of income.

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Dividends paid on the common shares of Northern Dynasty generally will not be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation and which owns shares representing at least 10% of the voting power and value of Northern Dynasty may, under certain circumstances, be entitled to a 70% (or 80% if the U.S. Holder owns shares representing at least 20% of the voting power and value of Northern Dynasty) deduction of the United States source portion of dividends received from Northern Dynasty (unless Northern Dynasty qualifies as a "foreign personal holding company" or a "passive foreign investment company," as defined below). Northern Dynasty does not anticipate that it will earn any United States income, however, and therefore does not anticipate that any U.S. Holder will be eligible for the dividends received deduction.

Under current Treasury Regulations, dividends paid on Northern Dynasty's common shares, if any, generally will not be subject to information reporting and generally will not be subject to U.S. backup withholding tax. However, dividends and the proceeds from a sale of Northern Dynasty's common shares paid in the U.S. through a U.S. or U.S. related paying agent (including a broker) will be subject to U.S. information reporting requirements and may also be subject to the 31% U.S. backup withholding tax, unless the paying agent is furnished with a duly completed and signed Form W-9. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a refund or a credit against the U.S. Holder's U.S. federal income tax liability, provided the required information is furnished to the IRS.

### FOREIGN TAX CREDIT

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of Northern Dynasty may be entitled, at the option of the U.S. Holder, to either receive a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and generally applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's United States income tax liability that the U.S. Holder's foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as "passive income," "high withholding tax interest," "financial services income," "shipping income," and certain other classifications of income. Dividends distributed by Northern Dynasty will generally constitute "passive income" or, in the case of certain U.S. Holders, "financial services income" for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and U.S. Holders of common shares of Northern Dynasty should consult their own tax advisors regarding their individual circumstances.

### DISPOSITION OF COMMON SHARES OF NORTHERN DYNASTY

In general, U.S. Holders will recognize gain or loss upon the sale of common shares of Northern Dynasty equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of Northern Dynasty. Preferential tax rates apply to long-term capital gains of U.S. Holders which are individuals, estates or trusts. In general, gain or loss on the sale of common shares of Northern Dynasty will be long-term capital gain or loss if the common

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shares are a capital asset in the hands of the U.S. Holder and are held for more than one year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders which are not corporations, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders that are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

### OTHER CONSIDERATIONS

Set forth below are certain material exceptions to the above-described general rules describing the United States federal income tax consequences resulting from the holding and disposition of common shares:

#### FOREIGN PERSONAL HOLDING COMPANY

If at any time during a taxable year more than 50% of the total combined voting power or the total value of Northern Dynasty's outstanding shares is owned, directly or indirectly (pursuant to applicable rules of constructive ownership), by five or fewer individuals who are citizens or residents of the United States and 60% or more of Northern Dynasty's gross income for such year is derived from certain passive sources (e.g., from certain interest and dividends), Northern Dynasty may be treated as a "foreign personal holding company." In that event, U.S. Holders that hold common shares would be required to include in gross income for such year their allocable portions of such passive income to the extent Northern Dynasty does not actually distribute such income. Northern Dynasty does not believe that it currently qualifies as a foreign personal holding company. However, there can be no assurance that Northern Dynasty will not be considered a foreign personal holding company for the current or any future taxable year.

#### FOREIGN INVESTMENT COMPANY

If 50% or more of the combined voting power or total value of Northern Dynasty's outstanding shares is held, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), and Northern Dynasty is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that Northern Dynasty may be treated as a "foreign investment company" as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares to be treated as ordinary income rather than capital gain. Northern Dynasty does not believe that it currently qualifies as a foreign investment company. However, there can be no assurance that Northern Dynasty will not be considered a foreign investment company for the current or any future taxable year.

#### PASSIVE FOREIGN INVESTMENT COMPANY

United States income tax law contains rules governing "passive foreign investment companies" ("PFIC") which can have significant tax effects on U.S. Holders of foreign corporations. These rules do not apply to non-U.S. Holders. Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States if, for any taxable year, either (i) 75% or more of its gross income is "passive income," which includes interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the corporation is not publicly traded and either is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more.

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Northern Dynasty appears to have been a PFIC for the fiscal year ended September 30, 1999, and at least certain prior fiscal years. In addition, Northern Dynasty expects to qualify as a PFIC for the fiscal year ending September 30, 2000 and may also qualify as a PFIC in future fiscal years. Each U.S. Holder of Northern Dynasty is urged to consult a tax advisor with respect to how the PFIC rules affect such U.S. Holder's tax situation.

Each U.S. Holder who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC is subject to United States federal income taxation under one of three alternative tax regimes at the election of such U.S. Holder. The following is a discussion of such alternative tax regimes applied to such U.S. Holders of Northern Dynasty. In addition, special rules apply if a foreign corporation qualifies as both a PFIC and a "controlled foreign corporation" (as defined below) and a U.S. Holder owns, actually or constructively, 10% or more of the total combined voting power of all classes of stock entitled to vote of such foreign corporation (See more detailed discussion at "Controlled Foreign Corporation" below).

A U.S. Holder who elects to treat Northern Dynasty as a qualified electing fund ("QEF") will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year to which the election applies in which Northern Dynasty qualifies as a PFIC on his pro rata share of Northern Dynasty's (i) "net capital gain" (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain, and (ii) "ordinary earnings" (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income, in each case, for the shareholder's taxable year in which (or with which) Northern Dynasty's taxable year ends, regardless of whether such amounts are actually distributed. A U.S. Holder's tax basis in the common shares will be increased by any such amount that is included in income but not distributed.

The procedure a U.S. Holder must comply with in making an effective QEF election, and the consequences of such election, will depend on whether the year of the election is the first year in the U.S. Holder's holding period in which Northern Dynasty is a PFIC. If the U.S. Holder makes a QEF election in such first year, i.e., a "timely" QEF election, then the U.S. Holder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder files his tax return for such first year. If, however, Northern Dynasty qualified as a PFIC in a prior year during the U.S. Holder's holding period, then, in order to avoid the Section 1291 rules discussed below, in addition to filing documents, the U.S. Holder must elect to recognize under the rules of Section 1291 of the Code (discussed herein), (i) any gain that he would otherwise recognize if the U.S. Holder sold his stock on the qualification date or (ii) if Northern Dynasty is a controlled foreign corporation, the U.S. Holder's pro rata share of Northern Dynasty's post-1986 earnings and profits as of the qualification date. The qualification date is the first day of Northern Dynasty's first tax year in which Northern Dynasty qualified as a QEF with respect to such U.S. Holder. For purposes of this discussion, a U.S. Holder who makes (i) a timely QEF election, or (ii) an untimely QEF election and either of the above-described gain-recognition elections under Section 1291 is referred to herein as an "Electing U.S. Holder." A U.S. Holder who holds common shares at any time during a year of Northern Dynasty in which Northern Dynasty is a PFIC and who is not an Electing U.S. Holder (including a U.S. Holder who makes an untimely QEF election and makes neither of the above-described gain-recognition elections) is referred to herein as a "Non-Electing U.S. Holder." An Electing U.S. Holder (i) generally treats any gain realized on the disposition of his Registrant common shares as capital gain; and (ii) may either avoid interest charges resulting from PFIC status altogether, or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of Northern Dynasty's annual realized net capital gain and ordinary earnings subject, however, to an interest charge. If the U.S. Holder is not a corporation, any interest charge imposed under the PFIC regime would be treated



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as "personal interest" that is not deductible.

In order for a U.S. Holder to make (or maintain) a valid QEF election, Northern Dynasty must provide certain information regarding its net capital gains and ordinary earnings and permit its books and records to be examined to verify such information. Northern Dynasty intends to make the necessary information available to U.S. Holders to permit them to make (and maintain) QEF elections with respect to Northern Dynasty. Northern Dynasty urges each U.S. Holder to consult a tax advisor regarding the availability of, and procedure for making, the QEF election.

A QEF election, once made with respect to Northern Dynasty, applies to the tax year for which it was made and to all subsequent tax years, unless the election is invalidated or terminated, or the IRS consents to revocation of the election. If a QEF election is made by a U.S. Holder and Northern Dynasty ceases to qualify as a PFIC in a subsequent tax year, the QEF election will remain in effect, although not applicable, during those tax years in which Northern Dynasty does not qualify as a PFIC. Therefore, if Northern Dynasty again qualifies as a PFIC in a subsequent tax year, the QEF election will be effective and the U.S. Holder will be subject to the rules described above for Electing U.S. Holders in such tax year and any subsequent tax years in which Northern Dynasty qualifies as a PFIC. In addition, the QEF election remains in effect, although not applicable, with respect to an Electing U.S. Holder even after such U.S. Holder disposes of all of his or its direct and indirect interest in the shares of Northern Dynasty. Therefore, if such U.S. Holder reacquires an interest in Northern Dynasty, that U.S. Holder will be subject to the rules described above for Electing U.S. Holders for each tax year in which Northern Dynasty qualifies as a PFIC.

In the case of a Non-Electing U.S. Holder, special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reasons of a pledge) of his Registrant common shares and (ii) certain "excess distributions," as defined in Section 1291(b), by Northern Dynasty.

A Non-Electing U.S. Holder generally would be required to pro rate all gains realized on the disposition of his Registrant common shares and all excess distributions on his Registrant common shares over the entire holding period for the common shares. All gains or excess distributions allocated to prior years of the U.S. Holder (excluding any portion of the holder's period prior to the first day of the first year of Northern Dynasty (i) which began after December 31, 1986, and (ii) for which Northern Dynasty was a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-Electing U.S. Holder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-Electing U.S. Holder that is not a corporation must treat this interest charge as "personal interest" which, as discussed above, is wholly non-deductible. The balance, if any, of the gain or the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance. In certain circumstances, the sum of the tax and the PFIC interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the U.S. Holder.

If Northern Dynasty is a PFIC for any taxable year during which a Non-Electing U.S. Holder holds Registrant common shares, then Northern Dynasty will continue to be treated as a PFIC with respect to such Registrant common shares, even if it is no longer definitionally a PFIC. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules discussed above for Non-Electing U.S. Holders) as if such Registrant common shares had been sold on the last day of the last taxable year for which it was a PFIC.

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Effective for tax years of U.S. Holders beginning after December 31, 1997, U.S. Holders who hold (actually or constructively) marketable stock of a foreign corporation that qualifies as a PFIC may elect to mark such stock to the market annually (a "mark-to-market election"). If such an election is made, such U.S. Holder will generally not be subject to the special taxation rules of Section 1291 discussed above. However, if the mark-to-market election is made by a Non-Electing U.S. Holder after the beginning of the holding period for the PFIC stock, then the Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to Northern Dynasty common shares. A U.S. Holder who makes the mark-to-market election will include in income for each taxable year for which the election is in effect an amount equal to the excess, if any, of the fair market value of the common shares of Northern Dynasty as of the close of such tax year over such U.S. Holder's adjusted basis in such common shares. In addition, the U.S. Holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S. Holder's adjusted tax basis in the common shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any, of (A) the mark-to-market gains for the common shares in Northern Dynasty included by such U.S. Holder for prior tax years, including any amount which would have been treated as a mark-to-market gain for any prior tax year but for the Section 1291 rules discussed above with respect to Non-Electing U.S. Holders, over (B) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. Holder's adjusted tax basis in the common shares of Northern Dynasty will be adjusted to reflect the amount included in or deducted from income as a result of a mark-to-market election. A mark-to-market election applies to the taxable year in which the election is made and to each subsequent taxable year, unless Northern Dynasty common shares cease to be marketable, as specifically defined, or the IRS consents to revocation of the election. Because the IRS has not established procedures for making a mark-to-market election, U.S. Holders should consult their tax advisor regarding the manner of making such an election. No view is expressed regarding whether common shares of Northern Dynasty are marketable for these purposes or whether the election will be available.

Under Section 1291(f) of the Code, the IRS has issued Proposed Treasury Regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by Non-Electing U.S. Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases the basis of Northern Dynasty common shares in the hands of the transferee and the basis of any property received in the exchange for those common shares would be increased by the amount of gain recognized. Under the Proposed Treasury Regulations, an Electing U.S. Holder would not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee's basis in this case will depend on the manner of the transfer. In the case of a transfer by an Electing U.S. Holder upon death, for example, the transferee's basis is generally equal to the fair market value of the Electing U.S. Holder's common shares as of the date of death under Section 1014 of the Code. The specific tax effect to the U.S. Holder and the transferee may vary based on the manner in which the common shares are transferred. Each U.S. Holder of Northern Dynasty is urged to consult a tax advisor with respect to how the PFIC rules affect his or its tax situation.

Whether or not a U.S. Holder makes a timely QEF election with respect to common shares of Northern Dynasty, certain adverse rules may apply in the event that both Northern Dynasty and any foreign corporation in which Northern Dynasty directly or indirectly holds shares is a PFIC (a "lower-tier PFIC"). Pursuant to certain Proposed Treasury Regulations, a U.S. Holder would be treated as owning his or its proportionate amount of any lower-tier PFIC shares, and generally would be subject to the PFIC rules with respect to such indirectly-held PFIC shares unless such U.S. Holder makes a timely QEF election with respect thereto.

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Northern Dynasty intends to make the necessary information available to U.S. Holders to permit them to make (and maintain) QEF elections with respect to each subsidiary of Northern Dynasty that is a PFIC.

Under the Proposed Treasury Regulations, a U.S. Holder who does not make a timely QEF election with respect to a lower-tier PFIC generally would be subject to tax (and the PFIC interest charge) on (i) any excess distribution deemed to have been received with respect to his or its lower-tier PFIC shares and (ii) any gain deemed to arise from a so-called "indirect disposition" of such shares. For this purpose, an indirect disposition of lower-tier PFIC shares would generally include (i) a disposition by Northern Dynasty (or an intermediate entity) of lower-tier PFIC shares, and (ii) any other transaction resulting in a diminution of the U.S. Holder's proportionate ownership of the lower-tier PFIC, including an issuance of additional common shares by Northern Dynasty (or an intermediate entity). Accordingly, each prospective U.S. Holder should be aware that he or it could be subject to tax even if such U.S. Holder receives no distributions from Northern Dynasty and does not dispose of its common shares. NORTHERN DYNASTY STRONGLY URGES EACH PROSPECTIVE U.S. HOLDER TO CONSULT A TAX ADVISOR WITH RESPECT TO THE ADVERSE RULES APPLICABLE, UNDER THE PROPOSED TREASURY REGULATIONS, TO U.S. HOLDERS OF LOWER-TIER PFIC SHARES.

Certain special, generally adverse, rules will apply with respect to Registrant common shares while Northern Dynasty is a PFIC unless the U.S. Holder makes a timely QEF election. For example under Section 1298(b)(6) of the Code, a U.S. Holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in regulations, be treated as having made a taxable disposition of such shares.

### CONTROLLED FOREIGN CORPORATION

If more than 50% of the total combined voting power of all classes of shares entitled to vote or the total value of the shares of Northern Dynasty is owned, actually or constructively, by citizens or residents of the United States, United States domestic partnerships or corporation, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(31)), each of which own, actually or constructively, 10% or more of the total combined voting power of all classes of shares entitled to vote of Northern Dynasty ("United States Shareholder"), Northern Dynasty could be treated as a controlled foreign corporation ("CFC") under Subpart F of the Code. This classification would effect many complex results, one of which is the inclusion of certain income of a CFC which is subject to current U.S. tax. The United States generally taxes United States Shareholders of a CFC currently on their pro rata shares of the Subpart F income of the CFC. Such United States Shareholders are generally treated as having received a current distribution out of the CFC's Subpart F income and are also subject to current U.S. tax on their pro rata shares of increases in the CFC's earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of common shares of Northern Dynasty which is or was a United States Shareholder at any time during the five-year period ending on the date of the sale or exchange is treated as ordinary income to the extent of earnings and profits of Northern Dynasty attributable to the shares sold or exchanged. If a foreign corporation is both a PFIC and a CFC, the foreign corporation generally will not be treated as a PFIC with respect to United States Shareholders of the CFC. This rule generally will be effective for taxable years of United States Shareholders beginning after 1997 and for taxable years of foreign corporations ending with or within such taxable years of United States Shareholders. Special rules apply to United States Shareholders who are subject to the special taxation rules under Section 1291 discussed above with respect to a PFIC. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion. Northern Dynasty does not believe that it currently qualifies as a CFC. However, there

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can be no assurance that Northern Dynasty will not be considered a CFC for the current or any future taxable year.

### F. DIVIDENDS AND PAYING AGENTS

Not applicable.

### G. STATEMENT BY EXPERTS

The following are experts whose opinions or reports are included herein:

(a) Geological Advisor, M.J. Casselman, P.Geo., was retained by Northern Dynasty in 2001 [as an independent geological advisor to review and compile available information on the Pebble Property and provide his recommendations to further explore it. He has also assisted in the preparation of the Geological Discussion of the Pebble Project in Item 4 on behalf of Northern Dynasty. Mr. Casselman holds an M.Sc. and is a professional geologist and a member of the Association of Professional Engineers and Geoscientists of British Columbia. His office address is 1325 Chestnut Street, Vancouver, B.C., Canada.

All the foregoing experts have consented to the inclusion of their reports or opinions herein or in the previously (March 18 2002, April 25 2002, May 31 2002 and June 10, 2002) filed initial 20FA registration statements (as amended) and, if filed with such previous 20FAs, the section herein respecting which such expert has consented has not been amended by this annual filing.

### H. DOCUMENTS ON DISPLAY

Exhibits attached to this Form 20-F are also available for viewing at the offices of Northern Dynasty, Suite 1020 - 800 West Pender Street, Vancouver, British Columbia V6C 2V6 or on request of Northern Dynasty at 604-684-6365, attention Shirley Main. Copies of Northern Dynasty's financial statements and other continuous disclosure documents required under the British Columbia SECURITIES ACT are available for viewing on the internet at [www.SEDAR.com](http://www.SEDAR.com).

### I. SUBSIDIARY INFORMATION

Not applicable.

## ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### (A) TRANSACTION RISK AND CURRENCY RISK MANAGEMENT

Northern Dynasty's operations do not employ financial instruments or derivatives and given that Northern Dynasty keeps its excess funds in high grade short term instruments it does not have significant or unusual financial market risks.

### (B) EXCHANGE RATE SENSITIVITY

Northern Dynasty's Pebble Property operations are in the State of Alaska and hence it is somewhat affected by exchange rate risk of fluctuations between Canadian and United States currency. Its liabilities are all short term trade payables and many are denominated in Canadian dollars. Northern Dynasty does not hedge this risk, which it does not consider this material exposure in the context of its operations.

### (C) INTEREST RATE RISK AND EQUITY PRICE RISK

Northern Dynasty is equity financed and does not have any debt that could be subject to significant interest rate change risks.

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### (D) COMMODITY PRICE RISK

While the value of Northern Dynasty's resource properties can always be said to relate to the price of copper and gold metals and the outlook for same, Northern Dynasty does not have any operating mines and hence does not have any hedging or other commodity based operations risks respecting its business activities.

### ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

#### A. DEBT SECURITIES

Not applicable.

#### B. WARRANTS AND RIGHTS

Not applicable. (Northern Dynasty's warrants are non-transferable and no market exists for them. Northern Dynasty has issued no rights.)

#### C. OTHER SECURITIES

Not applicable.

#### D. AMERICAN DEPOSITARY SHARES

Not applicable.

## PART II

### ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

### ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

### ITEM 15 [RESERVED]

### ITEM 16 [RESERVED]

## PART III

### ITEM 17 FINANCIAL STATEMENTS

The following attached financial statements are incorporated herein (see exhibits).

#### ANNUAL

(1) Auditors' Reports on the balance sheets as at December 31, 2002, and 2001, and the statements of operations and deficit, mineral property interests and changes in cash flows for each of the three years ended December 31, 2002, 2001 and 2000;

(2) Balance sheets as at December 31, 2002, 2001 and 2000;

(3) Statements of operations and deficit for each of the three years ended December 31, 2002, 2001 and 2000;

(4) Statements of changes in cash flows for the periods referred to in (8) above;

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(5) Notes to the financial statements;

### ITEM 18 FINANCIAL STATEMENTS

NOT APPLICABLE. See Item 17.

### ITEM 19 EXHIBITS

Key to the following document types:

1. Articles of Incorporation and Registered Incorporation Memorandum of Northern Dynasty.

2. Other Instruments defining the rights of the holders of equity or debt securities. (N/A)

3. Voting trust agreements. (N/A)

4. A. Material contracts not made in the ordinary course of business or which are to be performed in whole or in part at or after the filing of the Registration Statement or which was entered into not more than two years before filing.

#### B

(i) Agreements to which Directors, Officers, promoters voting trustees or security holders or their affiliates named in the Registration Statement are parties other than contracts involving only the purchase or sale of current assets having a determinable market price;

(ii) contracts on which Northern Dynasty business is substantially dependent;

(iii) contracts for the acquisition or sale of property exceeding 15% of Northern Dynasty's fixed assets; and

(iv) material leases. (N/A)

C. Management Contracts, compensation plans.

5-9 Not applicable.

10. Other

THE FOLLOWING EXHIBITS WERE ATTACHED AS AN APPENDIX TO THE FORM 20-F OF NORTHERN DYNASTY FILED JANUARY 9, 2002:

	TYPE OF DOCUMENT	DESCRIPTION
1.	1	Certificate of Incorporation, Memorandum and Articles of Association of Northern Dynasty
2.		4C Amended Share Incentive Plan dated for reference June 20, 2000 55-67 3. 4B(i) Geological Management and Administration Services Agreement dated for 68-77  reference December 31, 1996 between Northern Dynasty and Hunter Dickinson Inc. ("HDI") (See Item 7 "Interest of Management in Certain Transactions"
4.	4B(i)	HDG Assignment Agreement with Hunter Dickinson Group Inc.

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("HDG") 78-99 4B(ii) dated October 29, 2001 whereby Northern Dynasty obtained its option to 4B(iii) the Pebble Property including the underlying Teck Cominco Options and

### Consent Agreement

THE FOLLOWING EXHIBITS WERE ATTACHED TO THE FORM 20-FA FILED MARCH 18, 2002:

- 5. 10. Consent of U.S. Tax Expert, Kempisty & Co., Certified Public Accountants (1)
- 6. 10. Consent of Auditors, DeVisser Gray, Chartered Accountants
- 7. 10. Consent of counsel, Lang Michener (1)
- 8. 10. Consent of geological expert, M.J. Casselman

THE FOLLOWING EXHIBITS WERE ATTACHED TO THE SECOND AMENDMENT FORM 20-FA FILED APRIL 25, 2002:

- 9. 10. Consent of Auditors, DeVisser Gray, Chartered Accountants dated April 24, 2002.
- 10. 10. Consent of Geological Expert, M.J. Casselman, April 24, 2002.

THE FOLLOWING EXHIBITS WERE ATTACHED TO THE THIRD AMENDMENT FORM 20-FA FILED JUNE 3, 2002:

- 11. 10. Consent of Geological Expert, M.J. Casselman, May 31, 2002.

THE FOLLOWING EXHIBITS WERE ATTACHED TO THE ANNUAL REPORT ON FORM 20F FILED JUNE 24, 2002:

- 12. 10. Consent of Auditors, DeVisser Gray, Chartered Accountants dated June 24, 2002.

13. 10. Consent of Geological Expert, M.J. Casselman, June 24, 2002. 108 Note:  
(1) No changes were made to the second and third amendment 20FA sections respecting which these experts were concerned (see Item 10G) and provided consents as part of the March 18, 2002 20FA (first amendment) filing.

THE FOLLOWING EXHIBITS ARE FILED WITH THIS ANNUAL REPORT ON FORM 20F:

- 14. 99 Audited annual financial statements for the year ended December 31, 2002