

NORTHERN DYNASTY MINERALS LTD  
Form 20-F  
June 24, 2004

---

**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

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

For the fiscal year ended December 31, 2003 (with other information to June 1, 2004 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

None

Name of each exchange on which registered

Not applicable



- 2 -

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, 2003

31,733,186 Common Shares Without Par Value (the number outstanding on June 1, 2004 was 35,185,268).

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  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 Annual Report are, unless otherwise indicated, expressed in Canadian dollars. On June 1, 2004 the Federal Reserve noon rate for Canadian Dollars was US\$1.00:C\$ 1.3685 (see Item 4 for further historical Exchange Rate Information).

---

**TABLE OF CONTENTS**

<u>ITEM 1</u>	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>
<u>ITEM 2</u>	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>
<u>ITEM 3</u>	<u>KEY INFORMATION</u>
<u>ITEM 4</u>	<u>INFORMATION ON THE COMPANY</u>
<u>ITEM 5</u>	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>
<u>ITEM 6</u>	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>
<u>ITEM 7</u>	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>
<u>ITEM 8</u>	<u>FINANCIAL INFORMATION</u>
<u>ITEM 9</u>	<u>THE OFFER AND LISTING</u>
<u>ITEM 10</u>	<u>ADDITIONAL INFORMATION</u>
<u>ITEM 11</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>
<u>ITEM 12</u>	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>
<u>ITEM 13</u>	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>
<u>ITEM 14</u>	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>
<u>ITEM 15</u>	<u>CONTROLS AND PROCEDURES</u>
<u>ITEM 16</u>	<u>AUDIT COMMITTEE, CODE OF ETHICS, ACCOUNTANT FEES, AND EXEMPTIONS</u>
<u>ITEM 17</u>	<u>FINANCIAL STATEMENTS</u>
<u>ITEM 18</u>	<u>FINANCIAL STATEMENTS</u>
<u>ITEM 19</u>	<u>EXHIBITS</u>

---

*Geological Terms and Mineral Symbols*

Composite Hydrothermal System	Created by hydrothermal process or processes in which there is evidence of more than one centre or source of hydrothermal fluids, and potentially more than one mineral deposit.
Hydrothermal Alteration	Alteration of rocks or minerals by the reaction of hot, or hydrothermal, water with pre-existing (or host) rocks or minerals. The products of this reaction may also be a hydrothermal mineral deposit, that is, gangue and ore minerals that have been deposited in fractures, faults, breccia openings, etc., by replacement or open-space filling from watery fluids of 50-700o C temperature and of 1-3 kilobars pressure.
Induced Polarization ("IP") Survey	A geophysical survey used to identify a feature that appears to be different from the typical or background survey results when tested for levels of electro- conductivity; IP detects both chargeable, pyrite-bearing rock and non- conductive rock that has high content of quartz.
Mineral Resource	Mineral resource means a deposit or concentration of natural, solid, inorganic or fossilized organic substance in such quantity and at such greater quality that extraction of the material at a profit is currently or potentially possible. "Inferred Resource" means the estimated quantity and grade of a deposit, or a part thereof, that is determined on the basis of limited sampling, but for which there is sufficient geological information and a reasonable understanding of the continuity and distribution of metals values to outline a deposit of potential economic merit. "Indicated Resource" means the estimated quantity and grade of a part of a deposit for which the continuity of grade, together with the extent and shape, are so well-established that a reliable grade and tonnage estimate can be made. "Measured Resource" means the estimated quantity and grade of that part of a deposit for which the size, configuration and grade have been very well-established by observation and sampling of outcrops, drill holes, trenches and mine workings.
Mineral Symbols	Au - Gold; Ag - Silver; Al - Aluminum; Cu - Copper; Fe - Iron; Mo - Molybdenum; Na - Sodium; O - Oxygen; Pb - Lead; S - Sulphur; Zn - Zinc.
Porphyry deposit	A type of mineral deposit in which ore minerals are widely disseminated, generally of low grade but large tonnage.

*Currency and Measurement*

All currency amounts in this Annual Report are stated in Canadian dollars unless otherwise indicated (see Item 3A for exchange rate information).

The following measurements may be used.

Ton Imperial measure equal to 2,000 pounds.

Tonne Metric measure of mass equal to 1,000 kilograms or 2,204.6 pounds.

**Conversion of metric units into imperial equivalents is as follows:**

<u>Metric Units</u>	<u>Multiply by</u>	<u>Imperial Units</u>
hectares	2.471	= acres
metres	3.281	= feet
kilometres	0.621	= miles (5,280 feet)
grams	0.032	= ounces (troy)
tonnes	1.102	= tons (short) (2,000 lbs)
grams/tonne	0.029	= ounces (troy)/ton

### **PART 1**

#### **ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable

#### **ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable

#### **ITEM 3 KEY INFORMATION**

##### **A. Selected Financial Data**

The following constitutes selected financial data for Northern Dynasty Minerals Ltd. ("Northern Dynasty" or the "Company") for the last five fiscal years ended December 31, 2003, in Canadian dollars, presented in accordance with Canadian generally accepted accounting principles ("GAAP") and United States GAAP.

(C\$)	As at December 31				
<u>Balance Sheet Data</u>	2003	2002	2001	2000	1999
Total assets according to financial statements (CDN GAAP) (1)	\$ 3,682,646	\$ 685,149	\$ 2,588,367	\$ 2,644,832	\$ 2,801,227
Total Assets (US GAAP) (2)	3,682,646	685,149	2,588,367	2,644,832	2,801,227
Total liabilities	429,722	186,288	768,544	4,500	4,500
Share capital	21,064,437	11,035,977	7,907,717	7,273,342	7,270,842
Deficit (CDN GAAP)	(19,499,848)	(11,200,387)	(6,087,894)	(4,633,010)	(4,474,115)
Deficit (US GAAP)	\$ (19,499,848)	\$ (11,200,387)	\$ (6,087,894)	\$ (4,633,010)	\$ (4,474,115)

- 4 -

(C\$) Period End Balances (as at)	As at December 31				
	2003	2002	2001	2000	1999
Working capital	\$ 3,240,887	\$ 496,048	\$ 1,816,289	\$ 2,639,000	\$ 2,792,214
Equipment, net	12,037	2,813	3,534	1,332	4,513
Mineral property interests	---	---	---	---	---
Shareholders' equity	3,252,924	498,861	1,819,823	2,640,332	2,796,727
Number of outstanding Shares	31,733,186	15,515,223	9,292,455	7,182,455	7,177,455

No cash or other dividends have ever been declared.

(C\$) Statement of Operations Data	As at December 31				
	2003	2002	2001	2000	1999
Investment and Other Income	\$ 130,318	\$ (10,676)	\$ 108,631	\$ 157,138	\$ 110,336
General and administrative expenses	1,252,986	771,881	395,121	316,033	165,850
Write-down of mineral property interests and investments	---	---	--	--	--
Exploration Expenditures	5,501,729	4,329,936	1,168,394	--	--
Stock-based compensation	1,675,064	---	--	--	--
Income (loss) according to financial statements (CDN GAAP)	(8,299,461)	(5,112,493)	(1,454,884)	(158,895)	(55,514)
Income (loss) from continuing operations per Common Share (CDN GAAP)	(0.35)	(0.41)	(0.20)	(0.02)	(0.01)
Income (loss) per Share (US GAAP)	(0.35)	(0.41)	(0.20)	(0.02)	(0.01)

Notes:

(1) Northern Dynasty follows Canadian GAAP applicable to junior mining exploration companies whereby mineral exploration expenditures can be deferred on prospective properties until such time as it is determined that further exploration is not warranted, at which time the property costs are written off. Under US GAAP exploration costs are generally written off as incurred unless there is a feasibility report which confirms the existence of economic ore making the recovery of costs likely. As Northern Dynasty did not record any deferred exploration expenditures as of December 31, 2001 there is no difference between presentation of Northern Dynasty's accounts under Canadian and US GAAP as of that date nor for the fiscal years ended December 31, 2001 and 2000.

(2) Statement of Financial Accounting Standards No. 128: Earnings per Share ("SFAS 128") replaces the presentation of primary earnings per share ("EPS") with a presentation of both basic and diluted EPS for all entities with complex capital structures, including a reconciliation of each numerator and denominator. Basic EPS excludes dilutive securities and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if dilutive securities were converted into common stock and is computed similarly to fully diluted EPS pursuant to previous accounting pronouncements. SFAS 128 applies equally to loss per share presentations.

Stock options and warrants outstanding were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

On June 1, 2004 the Federal Reserve noon rate for Canadian Dollars was US\$1.00:C\$ 1.3685. The following table sets out the exchange rates, based on the noon buying rates as posted on the Bank of Canada website

([www.bankofcanada.ca](http://www.bankofcanada.ca)), for the conversion of Canadian dollars into United States dollars. These rates are comprised of those in effect at the end of the six months including and immediately prior to December 31, 2003 and the average exchange rates and the range of high and low exchange rates for such periods.

---



- 5 -

	For year ended December 31				
	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
End of Period	1.30	1.58	1.59	1.52	1.47
Average for Period	1.40	1.57	1.55	1.49	1.49
High for Period	1.58	1.62	1.60	1.56	1.53
Low for Period	1.30	1.50	1.49	1.43	1.44

---

## Monthly Low and High Exchange Rates:

<u>Month</u>	<u>Low</u>	<u>High</u>
May 2004	1.34	1.43
April 2004	1.38	1.38
March 2004	1.31	1.36
February 2004	1.31	1.35
January 2004	1.27	1.34
December 2003	1.28	1.34

See Item 17 for accompanying audited year-end financial statements (prepared in accordance with Canadian GAAP) for further details.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors*****Northern Dynasty's Recently Optioned Pebble Property Contains No Known Reserves of Ore.***

Although there is a known body of mineralization on the Pebble Property (see Items 4, 7 and 19), and Northern Dynasty has plans for a major definition and in-fill core drilling program within and adjacent to the deposit to determine indicated and measured resources to allow for completion of planned feasibility studies, there are currently no known reserves or body of commercially viable ore and the Pebble Property must be considered an exploration prospect only. Extensive additional exploration work is required before Northern Dynasty can ascertain if any mineralization may be economic. Exploration for minerals is a speculative venture necessarily involving substantial risk. If the expenditures Northern Dynasty makes on the Pebble Property do not result in discoveries of commercial quantities of ore, the value of exploration and acquisition expenditures will be totally lost and the value of Northern Dynasty stock resale negatively impacted.

***Further Funding Needed to Explore and Retain Rights to Pebble Property.*** Northern Dynasty's means of generating funds is through the sale of common shares, and Northern Dynasty will need to continue to find buyers for its treasury shares in order to generate sufficient funds to allow Northern Dynasty to conduct further exploration on the Pebble Property after completion of the planned exploration program. If Northern Dynasty cannot fund exploration its share value will be severely negatively impacted. Northern Dynasty believes that it will need to raise additional funds to pursue the current level of exploration of the Pebble Property. The Pebble Option requires expenditures to make, failing which Northern Dynasty will lose its interest.

***Northern Dynasty Has No History of Earnings and No Foreseeable Earnings.*** Northern Dynasty has a history of 20 years of losses. Northern Dynasty may never be profitable. Northern Dynasty has paid no dividends on its shares since incorporation and does not anticipate paying dividends in the foreseeable future. A failure to eventually achieve profitability will negatively impact on Northern Dynasty's share value.



**Assets May be Subject to Future Write-Downs.** Northern Dynasty's financial statements have been prepared assuming that Northern Dynasty will continue its business on a going-concern basis; however unless additional funding is obtained this assumption will have to change and Northern Dynasty's assets may then have to be written-down from carrying values based on costs to asset prices which are realizable in insolvency or distress circumstances.

**Significant Potential Equity Dilution and End of Lock-ups.** At June 1, 2004, Northern Dynasty had 35,177,768 common shares and 2,049,168 share purchase options and 8,349,445 warrants outstanding. The resale of outstanding shares from the exercise of dilutive securities could have a depressing effect on the market for Northern Dynasty's shares. At June 1, 2004, dilutive securities represent approximately 29.6% of Northern Dynasty's currently issued shares.

**Exploration is a Risky Business.** The exploration for mineral deposits involves significant financial and other risks over an extended period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Factors beyond Northern Dynasty's control will affect the marketability of any substances discovered. Metal prices have fluctuated widely in recent years and in particular, gold and copper prices have been depressed for several years. Even if exploration is successful (and a mine deemed warranted), mining requires huge capital investment, long capital recovery periods and it is difficult to suspend operations pending a recovery of prices.

**Risk of Adverse Government Policies.** Government regulations relating to mineral rights tenure, permission to disturb wilderness areas and the right to operate and export minerals can adversely affect Northern Dynasty. Northern Dynasty may not be able to obtain all necessary licenses and permits that may be required to carry out exploration at our projects. Environmental concerns in general continue to be a significant challenge for Northern Dynasty as they are for all exploration companies. Any changes in regulations or shift in political attitude are beyond the control of Northern Dynasty and may adversely affect its business.

**Environmental Risks.** Unexpected environmental damage from spills, accidents and severe acts of nature such as earthquakes are risks which may not be fully insurable and if catastrophic could mean the total loss of shareholders' equity.

**Volatility of Northern Dynasty's Shares Could Cause Investor Loss.** The market price of a publicly traded stock, especially a junior resource issuer like Northern Dynasty, is affected by many variables in addition to those directly related to exploration successes or failures. Such factors include the general condition of market for junior resource stocks, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the common shares on the TSX Venture suggests Northern Dynasty's shares will continue to be volatile. Therefore, investors could suffer significant losses if Northern Dynasty's shares are depressed or illiquid when an investor seeks liquidity and needs to sell Northern Dynasty shares.

**Northern Dynasty's Directors, Officers and Staff are only Part-Time.** Most of Northern Dynasty's directors and officers serve as officers and/or directors of other resource exploration companies and, as such, are engaged in and will continue to be engaged in the search for additional resource opportunities on behalf of such other companies. In particular, the success of Northern Dynasty and its ability to continue to carry on operations is dependent upon its ability to retain the services of Bruce Youngman, Vice-President, Ronald Thiessen, Chief Executive Officer and Jeffrey Mason, Chief Financial Officer. (See Item 7.)

---

***Management May be subject to Conflicts of Interest Due to Affiliation With Other Resource Companies.*** As most of Northern Dynasty's directors and officers serve as officers and/or directors of other resource exploration companies which are themselves engaged in the search for additional opportunities, situations may arise where these directors and officers are presented with or identify resource exploration opportunities and may be or perceived to be in competition with Northern Dynasty for exploration opportunities. Such potential conflicts, if any arise, will be dealt with in accordance with the relevant provisions of British Columbia corporate and common law. Northern Dynasty's directors and officers expect that participation in exploration prospects offered to the directors will be allocated between the various companies that they serve on the basis of prudent business judgement and the relative financial abilities and needs of the companies to participate. In addition, all of Northern Dynasty's officers and directors have a financial interest in other resource issuers to which they serve as management and hence may never be financially disinterested in the outcomes of these potential conflict of interest situations. This situation may require that shareholders favorably consider ratification of directors' decisions where financial conflicts arise resulting in uncertainty with respect to completion of such matters.

***Northern Dynasty's Management May Not Be Subject to U.S. Legal Process.*** As Canadian citizens and residents certain of Northern Dynasty's directors and officers may not subject themselves to U.S. legal proceedings, so that recovery on judgments issued by U.S. courts may be difficult or impossible. While reciprocal enforcement of judgment legislation exists between Canada and the U.S., Northern Dynasty's insiders may have defenses available to avoid in Canada the effect of U.S. judgments under Canadian law, making enforcement difficult or impossible. Northern Dynasty's management may not have any personal assets available in the U.S. to satisfy judgments of U.S. courts. Therefore, Northern Dynasty shareholders in the United States may have to avail themselves of remedies under Canadian corporate and securities laws for perceived oppression, breach of fiduciary duty and like legal complaints. Canadian law may not provide for remedies equivalent to those available under U.S. law.

***Likely PFIC Status Has Possible Adverse Tax Consequences for U.S. Investors.*** Potential investors who are U.S. taxpayers should be aware that Northern Dynasty expects to be classified for U.S. tax purposes as a passive foreign investment company ("PFIC") for the current fiscal year, and may also have been a PFIC in prior years, and may also be a PFIC in subsequent years. This status arises due to the fact that Northern Dynasty's excess exploration funds are invested in interest-bearing, securities creating "passive income" which, while modest and ancillary to the exploration business, is Northern Dynasty's only source of income. If Northern Dynasty is a PFIC for any year during a U.S. taxpayer's holding period, then such a U.S. taxpayer, generally, will be required to treat any so-called "excess distribution" received on its common shares, or any gain realized upon a disposition of common shares, as ordinary income and to pay an interest charge on a portion of such distribution or gain, unless the taxpayer makes a qualified electing fund ("QEF") election or a mark-to-market election with respect to the shares of Northern Dynasty. In certain circumstances, the sum of the tax and the interest charge may exceed the amount of the excess distribution received, or the amount of proceeds of disposition realized, by the taxpayer. A U.S. taxpayer who makes a QEF election generally must report on a current basis its share of Northern Dynasty's net capital gain and ordinary earnings for any year in which Northern Dynasty is a PFIC, whether or not Northern Dynasty distributes any amounts to its shareholders. A U.S. taxpayer who makes the mark-to-market election generally must include as ordinary income each year the excess of the fair market value of the common shares over the taxpayer's tax basis therein. (See also ITEM 10E - Passive Foreign Investment Company.)

***Shares of Northern Dynasty may be Adversely Affected by Penny Stock Rules.*** Northern Dynasty's stock may be subject to U.S. "Penny Stock" rules, which may make the stock more

---

difficult to trade on the open market. Northern Dynasty's common shares have traded on the TSX Venture Exchange ("TSX Venture", or its predecessor exchange) since 1994. For further details on the market performance of Northern Dynasty's common stock, see "Item 5 Nature of Trading Market." Although Northern Dynasty's common stock trades on the TSX Venture, it is subject to U.S. "penny stock" rules. A "penny stock" is generally defined by regulations of the U.S. Securities and Exchange Commission ("SEC") as an equity security with a market price of less than US\$5.00 per share. However, an equity security with a market price under US\$5.00 will not be considered a penny stock if it fits within any of the following exceptions:

- (i) the equity security is listed on Nasdaq or a national securities exchange;
- (ii) the issuer of the equity security has been in continuous operation for LESS than three years, and either has (a) net tangible assets of at least US\$5,000,000, or (b) average annual revenue of at least US\$6,000,000; or
- (iii) the issuer of the equity security has been in continuous operation for MORE than three years, and has net tangible assets of at least US\$2,000,000.

If an investor buys or sells a penny stock, SEC regulations require that the investor receive, prior to the transaction, a disclosure explaining the penny stock market and associated risks. Furthermore, trading in Northern Dynasty's common stock is currently subject to Rule 15c-9 of the Exchange Act, which relates to non-Nasdaq and non-exchange listed securities. Under this rule, broker/dealers who recommend Northern Dynasty's securities to persons other than established customers and accredited investors must make a special written suitability determination for the purchaser and receive the purchaser's written agreement to a transaction prior to sale. Securities are exempt from this rule if their market price is at least \$5.00 per share.

Penny stock regulations will tend to reduce market liquidity of Northern Dynasty's common stock because they limit the broker/dealers' ability to trade, and a purchaser's ability to sell, the stock in the secondary market. The low price of Northern Dynasty's common stock has a negative effect on the amount and percentage of transaction costs paid by individual shareholders. The low price of Northern Dynasty's common stock also limits Northern Dynasty's ability to raise additional capital by issuing additional shares. There are several reasons for these effects. First, the internal policies of certain institutional investors prohibit the purchase of low-priced stocks. Second, many brokerage houses do not permit low-priced stocks to be used as collateral for margin accounts or to be purchased on margin. Third, some brokerage house policies and practices tend to discourage individual brokers from dealing in low-priced stocks. Finally, broker's commissions on low-priced stocks usually represent a higher percentage of the stock price than commissions on higher priced stocks. As a result, Northern Dynasty's shareholders may pay transaction costs that are a higher percentage of their total share value than if Northern Dynasty's share price were substantially higher.

For more information about penny stocks, contact the Office of Filings, Information and Consumer Services of the U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 telephone (202) 272-7440.

---

## **ITEM 4 INFORMATION ON THE COMPANY**

### **SUMMARY**

#### **A. History and Development of Northern Dynasty**

1. The legal name of the corporation, which is the subject of this Annual Report on Form 20-F, is "Northern Dynasty Minerals Ltd."

2. Northern Dynasty was incorporated in May 1983 under the laws of the Province of British Columbia, Canada. Northern Dynasty was incorporated as "Dynasty Resources Inc." and subsequently changed its name on November 30, 1983 to "Northern Dynasty Explorations Ltd." Northern Dynasty became a reporting company in the Province of British Columbia on April 10, 1984 by having a receipt issued for its initial prospectus offering by the British Columbia Securities Commission. Northern Dynasty was formerly listed on the Vancouver Stock Exchange (now the TSX Venture Exchange and herein generally "TSX Venture") from 1984-1987, inter-listed on the Toronto Stock Exchange from 1987-1993, and unlisted but remained in good standing with all securities commissions from 1993 to 1994, and thereupon listed solely on TSX Venture from 1994 to present.

3. Northern Dynasty continues to subsist under the laws of the Province of British Columbia, Canada. Northern Dynasty's business office is located at Suite 1020, 800 West Pender Street, Vancouver, British Columbia V6C 2V6 telephone (604) 684-6365. Northern Dynasty's registered legal office is located c/o its British Columbia attorneys at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7 telephone (604) 689-9111.

4. During the period 1984-1993, Northern Dynasty held a participating interest in the Little Bald Mountain Project in Nevada, from which modest-scale gold production and cash flow was obtained. Northern Dynasty utilized this cash flow and the proceeds from other financings to conduct exploration programs on a number of properties in Nevada, USA, Ontario, Canada and Yukon, Canada. Subsequently all these properties were written off or written down to nominal value. In 1994, Northern Dynasty's name was changed to "Northern Dynasty Minerals Ltd." and it was reorganized, including a change of management, new investors and a three old for one new common share consolidation (also known as a "reverse-split"), and re-listed on the Vancouver Stock Exchange.

On October 29, 2001, Northern Dynasty entered into an agreement with Hunter Dickinson Group Inc. ("HDGI"), a non-arm's length party by virtue of certain directors in common, to acquire up to 100% of HDGI's interest in certain options granted by Teck Cominco American Incorporated ("Teck Cominco") in its Pebble Property (herein called the "Pebble Property" or the "Pebble Project") with HDGI retaining a carried interest (callable by Northern Dynasty) to the point of the exercise of the first option under the Pebble Property Agreements (see Item 3). HDGI acquired its interest from Teck Cominco, a subsidiary of one of Canada's largest mining companies. The terms of the option are described below.

5. Northern Dynasty has made no material capital expenditures (there have been no material divestitures) over the three fiscal years ended December 31, 2003 except for the Pebble Property acquisition and related matters described herein.

---

**B. Business Overview***Northern Dynasty's Business Strategy and Principal Activities*

Northern Dynasty is in the business of acquiring and exploring mineral exploration properties. Its current principal focus is on exploration of the optioned gold/copper prospect known as Pebble Property, which is located in the State of Alaska. In October 2001, it acquired the right to earn up to a 100% interest in the Pebble Property from Teck Cominco American Incorporated ("Teck Cominco") and HDGI. The first of the two options permits Northern Dynasty to purchase the previously drilled portions of the prospect on which the known mineralization exists (the "Resource Lands Option"). The Resource Lands Option expires November 30, 2004, and requires payments of cash and shares aggregating in excess of US\$10 million. The second part of the Option permits Northern Dynasty to earn a minimum of 50% (and up to 100%) interest in the remainder of the Pebble Property (the "Exploration Lands") by doing 60,000 feet of exploration drilling by November 30, 2004. Of this total 15,000 feet must be drilled by November 30, 2002, and thereafter a minimum of 6,000 feet must be drilled in each calendar year starting January 1, 2003. To December 31, 2003, Northern Dynasty had drilled 43,016 feet on the Exploration Lands.

Northern Dynasty's plans for fiscal 2004 involves the collection of engineering and environmental data required for the completion of feasibility studies and the initiation of the permitting process. The program encompasses approximately 130,000 feet (40,000 m) of drilling, including delineation drilling to establish measured and indicated resources, as well as holes, for geotechnical, metallurgical and hydrological design. Exploratory drilling is also planned at new zones and unexplored targets, enabling the Company to complete the 60,000 feet of drilling required to earn a 50% interest in the Exploration Lands. Northern Dynasty's 2004 program will enable the Company to determine if further work programs and the payment to Teck Cominco for the exercise of the Resource Lands Option are warranted.

Under the Teck Cominco Options, Northern Dynasty committed to 21,000 feet of drilling by November 30, 2003 (which was completed). In 2004, Northern Dynasty's commitments are at least 6,000 feet of drilling on the Exploration Lands. Northern Dynasty's working capital as of June 15, 2004 was approximately \$26.1 million, but it will need to raise funds cover the future exploration programs and ongoing administrative costs. However, if the equity markets for resource issuers are not receptive to additional financings, Northern Dynasty will have to reduce the planned expenditures. There can be no assurance that Northern Dynasty will obtain additional financing on acceptable terms (or at all), and failure to obtain such financing could result in the loss of Northern Dynasty's interest in the Pebble Project.

Northern Dynasty does not have any operating revenue, although historically it has had annual interest revenue as a consequence of investing surplus exploration funds pending the completion of exploration programs. Although exploration activities can be more challenging in winter conditions, Northern Dynasty's business cannot be said to be significantly seasonal in nature. Metals prices have traditionally seen multi-year cycles of higher and lower prices, which often impact the availability of exploration funds in years with depressed prices.

Alaska Statutes 38.05.185 and following establish the rights to mining claim and mineral leases on lands owned by the State of Alaska and open to mineral entry. This group of statutes also covers annual labour, annual rental, and royalties.

Operations on claims or leases on state owned land must be permitted under a plan of operations as set out in 11 Alaska Administrative Code 86.800. This regulation generally provides that the State

---



Division of Mining can be the lead agency in coordinating the comments of all agencies, which must consent to the issuance of a plan of operations, and sets the requirements for the approval of a plan of operations.

Environmental conditions are controlled by Alaska Statute 46.08 (prohibits release of oil and hazardous substances), Alaska Statute 46.03.060 and following (sets water quality standards), and Alaska Statute 46.14 (sets air quality standards).

### **C. Organizational Structure**

Northern Dynasty has one subsidiary, Northern Dynasty Mines Inc., a company incorporated under the laws of Alaska.

### **D. Property, Plants and Equipment**

Neither the Pebble Property, nor any other of Northern Dynasty's property interests, has any mining, plant or equipment located thereon.

### **Cautionary Note to US Readers Concerning the Use of "Inferred Resources" and Other Technical Terminology Used in Canada**

**The technical discussions in this 20-F use the term "Inferred Resources" and other technical terms. U.S. readers are cautioned that while these terms are recognized and mandated by Canadian Securities Regulators, the U.S. Securities and Exchange Commission does not recognize them. For example, "Inferred Resources" have a great amount of uncertainty as to their nature, quality and quantity and to their actual or potential economic feasibility. It must not be assumed that all or any part of an Inferred Resource will ever be "ore" or upgraded to a higher category. Under Canadian mining disclosure rules, estimates of Inferred Resources may not be used to form the basis of feasibility or other economic studies, except for what is referred to as a 'Preliminary Assessment'. U.S. readers are cautioned not to assume that part or all of an Inferred Resource contains an economically meaningful amount of mineralization or that it is or will be economically mineable.**

### **Pebble Property, Alaska**

#### **Overview**

In October 2001, Northern Dynasty acquired two inter-related options whereby it can acquire interests in two areas of an Alaskan mineral prospect currently owned by a major mining company. Previous exploration on the prospect, known as the Pebble Property, indicates that it contains a large tonnage of porphyry-style copper and gold mineralization that will require more detailed drilling and technical studies to assess its economic viability. The first of the two options permits Northern Dynasty to purchase the previously drilled portions of the prospect on which the known mineralization exists (the "Resource Lands Option"). The Resource Lands Option expires November 30, 2004, and requires payments of cash and shares aggregating in excess of US\$10 million. The second part of the Option permits Northern Dynasty to earn a minimum of 50% (and up to 100%) interest in the remainder of the Pebble Property (the "Exploration Lands") by completing 60,000 feet of exploration drilling by November 30, 2004, and then forming a joint venture with the senior mining company.

Diamond drilling programs in 2002 on the Exploration Lands resulted four new discoveries, and in 2003 on the Resource Lands increased the inferred resource and confirmed the presence of a higher-grade portion within the Pebble deposit. With the successful results from exploration during 2001-2003, Northern Dynasty has planned an extensive program for 2004, involving the collection of engineering and environmental data required for the

completion of feasibility studies and the initiation of the permitting process. The program encompasses approximately 130,000 feet (40,000 m) of drilling, including delineation drilling to establish measured and indicated resources as well as holes for geotechnical, metallurgical and hydrological design. Exploratory drilling is also

---

planned at new zones and unexplored targets. The latter will enable the Company to complete the 60,000 feet of drilling required to earn a 50% interest in the Exploration Lands.

The Company completed a private placement financing for gross proceeds of C\$22 million in early 2004. However, it will have to raise additional funds to carry on the planned exploration program and to participate in a potential joint venture on the Exploration Lands.

## **Pebble Property Option Agreements**

### ***Legal Agreements Overview***

In October 2001, Northern Dynasty was assigned a two-part option by Teck Cominco American Incorporated ("Teck Cominco"), a major mining company, which option allows Northern Dynasty, until November 30, 2004 to purchase either or both of: (i) the part of the Pebble Property which hosts the Pebble deposit described herein (the "Resource Lands") for US\$10 million in cash or Northern Dynasty shares (Northern Dynasty has made required interim option payments of US\$250,000 cash plus 1,000,000 shares and 750,000 warrants to Teck Cominco), and (ii) if Northern Dynasty completes the purchase of the Resource Lands, it may, by doing a total of 60,000 feet of exploration drilling (of which 43,016 feet were completed to the end of 2003), acquire the right to joint venture the remainder of the Pebble Property (the "Exploration Lands") with Teck Cominco (50:50 sharing of costs), or instead of a joint venture, Teck Cominco may choose to simply sell out its 50% balance of the Exploration Lands for US\$4 million.

### ***Assignment of Pebble Option from Hunter Dickinson Group Inc., a Related Party***

By an assignment agreement dated October 29, 2001 between Northern Dynasty as assignee and Hunter Dickinson Group Inc. ("HDGI") as assignor, (the "HDGI Assignment") (see Item 7), Northern Dynasty was assigned the right to acquire up to a 100% interest in two discrete but interdependent options granted to HDGI by Teck Cominco, respecting its 22,582 hectare "Pebble" copper/gold prospect in southwestern Alaska. The two options relate to separate portions of the Pebble Property, which are referred to as (a) the "Resource Lands" on which a mineralized body had already been outlined by Teck Cominco, and (b) the "Exploration Lands" which constitute the remainder of the Pebble Property area. In this Annual Report, these two options are referred to as the "Resource Lands Option" and the "Exploration Lands Option" and together they are referred to as the "Teck Cominco Options". HDGI is a private company owned by certain directors of Northern Dynasty and their associates and hence is not at arm's length to Northern Dynasty. (See Item 7)

Under the HDGI Assignment, Northern Dynasty has been assigned at HDGI's out-of-pocket costs of \$586,966 (which includes HDGI's 2001 exploration and additional property staking costs related to the Pebble Property), an 80% interest in the Teck Cominco Options, together with the right to acquire HDGI's retained 20% interest which is a "carried" interest and further described below. In 2001 after acquiring the Teck Cominco Options, HDGI completed additional claim staking (adding to the Exploration Lands) and conducted geophysical and geochemical surveys on the Pebble Property at a cost of approximately \$537,000.

Under the terms of the HDGI Assignment, HDGI is carried with respect to its retained 20% interest (the "Carried Interest") meaning that Northern Dynasty must incur 100% of all exploration costs and 100% of all underlying option payments to Teck Cominco required by the Teck Cominco Options to the point of exercise of the Resource Lands Option (assuming Northern Dynasty decides to pursue its exercise of the Teck Cominco Options respecting which Northern Dynasty retains full

discretion). Northern Dynasty may purchase (or "call") the Carried Interest for a 90-day period commencing at the time that, and in the event that, Northern Dynasty exercises the Resources Lands Option which requires that Northern Dynasty have made interim option payments to Teck Cominco (all of which have been made, as described below) as well as the balloon payment of US\$10 million by November 30, 2004 (extended by one year to November 30, 2004 in an amending agreement dated December 19, 2002 for the consideration of 200,000 shares issued by the Company). The Carried Interest call price is the independently appraised value of the Carried Interest which call amount will be payable by Northern Dynasty in common shares of Northern Dynasty valued at market at that time. If Northern Dynasty does not call the Carried Interest, then after the Resource Lands Option is exercised, HDGI shall thereupon be responsible for its 20% share of all subsequent exploration and development expenses related to the Pebble Property in a joint venture ("JV") to be formed on the terms disclosed below, which JV terms are materially the same as the potential Teck Cominco - Northern Dynasty JV related to the Exploration Lands Option.

### ***Basic Option Terms***

#### *(i) Resource Lands*

The Resource Land Option allows Northern Dynasty to explore the entire Pebble property until November 30, 2004, at which time Northern Dynasty is required to elect whether to purchase the 36 claims of the Resource Lands which include the Pebble gold/copper deposit by paying Teck Cominco US\$10 million in cash or Northern Dynasty common shares valued at US\$10 million. If Northern Dynasty elects to issue shares to Teck Cominco in lieu of cash, Northern Dynasty may manage the resale of any of its shares issued to Teck Cominco by seeking investors to purchase them and by using reasonable efforts to achieve an orderly resale market for these shares. Any excess of Teck Cominco's resale proceeds will be credited against Northern Dynasty's future option requirements and any share resale shortfall must be made up by Northern Dynasty to maintain the Teck Cominco Options in good standing (that is, Northern Dynasty is not liable for any shortfall on resale of its shares; however, the consequence of a shortfall which is not "topped up" in cash or shares is that Northern Dynasty's rights under the Teck Cominco Options will be forfeited). The required interim option payments to Teck Cominco have all been made, including US\$250,000 in cash plus 500,000 two-year share purchase warrants (exercisable at \$0.75) prior to December 31, 2001 (which consideration was paid on December 31, 2001) and 500,000 shares and 500,000 two-year share purchase warrants (exercisable at \$1.15) prior to March 31, 2002 (which consideration was paid on March 28, 2002) and a further 500,000 shares and 250,000 warrants before December 31, 2002 (which consideration was paid on December 19, 2002). Pursuant to an agreement, an additional 200,000 shares were issued to Teck Cominco on December 19, 2002 to extend the deadline to purchase the Resource Lands from November 30, 2003 to November 30, 2004.

#### *(ii) Exploration Lands*

If Northern Dynasty purchases the Resource Lands under the Resource Lands Option, it also has the right under the Exploration Lands Option to earn a 50% interest in the adjacent "Exploration Lands" by completing 60,000 feet of drilling by November 30, 2004. When Northern Dynasty completes the drilling, Teck Cominco can either elect to match the Company's future expenditures by forming a 50:50 joint venture or by selling its 50% interest in the Exploration Lands to Northern Dynasty for US\$4 million and retaining a 5% net profits interest. To December 31, 2003 Northern Dynasty had completed 43,016 feet of drilling on the Exploration Lands.

---

## **Further Details of Pebble Option**

### ***Background***

The Teck Cominco Options were originally granted to HDGI pursuant to a memorandum of understanding, which was superseded by a letter agreement dated October 29, 2001, which coincided with the formal HDGI Assignment, both of which were supplemented by a written consent of Teck Cominco to the HDGI Assignment also dated October 29, 2001. Under the terms of the Teck Cominco Options, Teck Cominco represented that it is the sole legal and beneficial owner of the Pebble Property's Resource Lands and Exploration Lands, has good title to same and the exclusive right to enter grant the Teck Cominco Options, and that the mineral interests are held free and clear of liens and security interests. Teck Cominco also represented there were no outstanding work orders, environmental matters nor any basis for litigation respecting the Pebble Property. Teck Cominco owns only the mineral titles and does not own any surface rights.

### ***Interim Option Payment Requirements***

The interim option requirements, all of which have been paid by Northern Dynasty and are a precondition for the exercise of either of the Resource Lands Option and the Exploration Lands Option, are that Northern Dynasty must have, prior to December 31, 2001, paid US\$250,000 cash and issued 500,000 Northern Dynasty warrants having an exercise price equal to the closing price of Northern Dynasty's shares on the day following the date of the public announcement of the transaction. The transaction was announced on November 1, 2001 and on November 2, 2001 the closing share price of Northern Dynasty common shares on the TSX Venture was \$0.75. The cash payment of US\$250,000 and the two-year \$0.75 warrants were delivered to Teck Cominco on December 31, 2001. This initial tranche of 500,000 warrants had an expiry date of December 31, 2003 and were all exercised prior to expiry. The second interim option payment, requiring that Northern Dynasty allot and issue on or before March 31, 2002 a further 500,000 common shares plus 500,000 two-year common share purchase warrants (exercisable at \$1.15), was delivered to Teck Cominco on March 28, 2002. The third interim option payment, requiring that Northern Dynasty allot and issue, on or before December 31, 2002, an additional 500,000 shares plus 250,000 warrants with warrants (exercisable at \$0.60), was delivered to Teck Cominco on December 19, 2002.

All of the interim option payments, a pre-condition for the exercise of either of the Resource Lands Option and the Exploration Lands Option, had been paid by Northern Dynasty prior to the end of December 2002.

### ***Possible Top-ups on Resale Proceeds of Northern Dynasty Shares***

If Teck Cominco wishes to resell the shares received under the above-mentioned interim option payment tranches, it must give notice to Northern Dynasty within 180 days of the issuance of each tranche. If Teck Cominco so elects, Northern Dynasty may manage the resale of these shares on Teck Cominco's behalf within six months of the initial US\$250,000 tranche, and within twelve months in the case of shares issued out of the exercise of the warrants of the first tranche, and twelve months for shares in the tranches due March 31, 2002 and December 31, 2002, with the requirement to obtain a minimum of US\$250,000 in resale proceeds from each such tranche paid to Teck Cominco. If the proceeds exceed US\$250,000 from the resale of shares from any tranche, then the amount payable to exercise the Resource Lands Option or Exploration Lands Option will be reduced by the amount of the excess. Should there be any deficiencies in the proceeds from the sale of any tranche, Northern Dynasty must provide additional cash or shares to "top-up" the

---

shortfall so that the stated dollar amount required to be received by Teck Cominco is achieved, failing which the Teck Cominco Options will terminate (without liability to Northern Dynasty for the shortfall). If Teck Cominco does not give notice to sell by the notice to sell deadline of six and twelve months, as the case may be, there will be no minimum proceeds requirement on the resale of those shares. The application of proceeds to reduce the amount payable to exercise the Options shall not apply to the resale of shares issued to Teck Cominco as a result of the exercise of Northern Dynasty warrants.

***Resource Lands - Balloon Payment Requirement***

Northern Dynasty may purchase the Resource Lands under the Resource Lands Option by paying US\$10 million, less any of the excess resale proceeds received from resale by or on behalf of Teck Cominco of the interim option share issuances, and must pay this sum to Teck Cominco on or before November 30, 2004 (extended from November 30, 2003 to November 30, 2004 by an amending agreement dated December 19, 2002) or, alternatively, may issue to Teck Cominco by that date a number of Northern Dynasty shares as is equivalent to US\$10 million divided by the five-day trading average of Northern Dynasty's shares as at the date prior to the issuance. Teck Cominco may give notice to Northern Dynasty that it wishes to liquidate the shares, in which case Northern Dynasty shall manage the resale of those shares so that the return to Teck Cominco is US\$10 million if the shares are resold within the following 12 months from the date of notice to sell or US\$11 million if sold within the following 24 months, but in either case with a minimum requirement of US\$1 million per 3-month period. Any shares remaining after the required US\$10 million consideration has been received by Teck Cominco will be returned to Northern Dynasty's treasury for cancellation, and if there are any deficiencies in the resale proceeds, Northern Dynasty must provide top-up shares or the cash equivalent until the minimum is achieved failing which the option will terminate (without liability for the shortfall). The Resource Lands Option will not be deemed to be exercised until the minimum required consideration has been received by Teck Cominco. If Teck Cominco does not give notice by the notice to sell deadline, there will be no minimum proceeds requirement. If Northern Dynasty does not exercise the Resource Lands Option, both Teck Cominco Options will terminate.

***Exploration Lands - Option Requirements for Drilling and Joint Venture***

Providing Northern Dynasty exercises the Resource Lands Option, it has the exclusive option to earn an initial 50% working interest in the Exploration Lands in which event Northern Dynasty and Teck Cominco will establish a joint venture, with each party thereafter contributing its respective 50% share of future exploration and development costs relating to the Exploration Lands. In order to exercise the Exploration Lands Option, Northern Dynasty must complete 60,000 feet of core drilling on the Exploration Lands by November 30, 2004 (43,016 feet had been completed by December 31, 2003) of which 15,000 feet must be drilled by November 30, 2002 (which has been fulfilled) and Northern Dynasty must thereafter drill a minimum of 6,000 feet in each calendar year starting January 1, 2003 (fulfilled in 2003).

***Teck Cominco's Election to "Put" its Remaining Interest to Northern Dynasty***

If Northern Dynasty exercises the Exploration Lands Option, Teck Cominco in turn has the option, exercisable upon notice to Northern Dynasty within 90 days to either (a) sell to Northern Dynasty Teck Cominco's remaining 50% interest in the Exploration Lands or (b) enter into a joint venture with Northern Dynasty with each party having a 50% interest. If Teck Cominco elects to sell its 50% interest, then Northern Dynasty must purchase the interest by paying Teck Cominco US\$4 million and granting Teck Cominco a net profits royalty (as described below) on any mine in the

---

Exploration Lands. Prior to the recovery of the capital costs of constructing a mine on the Exploration Lands, the net profits royalty will be based upon the net cash flow from the sale of minerals after operating, marketing, distribution and debt-financing repayments to a maximum of 4% of the net cash flow. Following payback of any mine's capital costs, the royalty is 5% of net profits. The US\$4 million price for the 50% interest shall be paid in cash or, at Northern Dynasty's option in Northern Dynasty shares, based on the 5-day trading average prior to the date of issuance. If Teck Cominco elects to liquidate these shares, it may, by notice to Northern Dynasty require Northern Dynasty to manage the resale of these shares with a view to realizing at least US\$4 million over the 12-month period after the notice. Any deficiencies from this figure will require Northern Dynasty to provide top-up shares or cash so that the minimum is achieved failing which the Option will terminate. Any Northern Dynasty shares remaining unsold after the maximum of US\$4 million has been realized will be returned to Northern Dynasty's treasury for cancellation. If Teck Cominco does not give notice of sale by the notice to sell deadline, there is no resale proceeds protection, and if Teck Cominco elects to sell after the notice to sell deadline, then Northern Dynasty may retain control of the share resale process for a 48-month period with any profit or loss on the share resale (measured from the initial issuance value) which will be for the account of Teck Cominco. Northern Dynasty must direct the resale of the shares in good faith with a view to maximizing Teck Cominco's proceeds with all such resale activities in compliance with applicable US and Canadian securities laws and the policies of the TSX Venture. All negotiations between Northern Dynasty and Teck Cominco took place in Canada. Teck Cominco American Incorporated is a US holding subsidiary of Teck Cominco Ltd. (whose shares are listed on The Toronto Stock Exchange and bonds are listed on the American Stock Exchange). Any securities issued to Teck Cominco will be issued relying on the exemption from US registration found in Rule 903(c)(1) of Regulation S to the United States Securities Act of 1933 and are expected to be eligible for resale through the TSX Venture Exchange under Rule 904 to Regulation S.

#### *Joint Venture Terms*

Other business terms respecting the Teck Cominco Options require that Northern Dynasty will determine and fund work programs to be carried out on the Pebble Property and will generally have sole and exclusive possession of the Resource Lands and Exploration Lands to do such work. Northern Dynasty shall perform its obligations in a proper manner in accordance with sound mining practices and all applicable laws and shall be obliged to keep the Resource Lands and Exploration Lands free from liens or encumbrances and shall provide Teck Cominco with regular reports on Northern Dynasty's activities. In the event Northern Dynasty elects to terminate the Teck Cominco Options prior to the exercise thereof, it shall leave the Resource Lands and Exploration Lands in a condition which is reclaimed with respect to Northern Dynasty's activities and will deliver to Teck Cominco all information and data in its possession and will ensure that all contractors and suppliers have been paid. Registered legal title to the Resource Lands and Exploration Lands will remain with Teck Cominco during the period of the Options, and Northern Dynasty has provided an indemnity for Teck Cominco with respect to its activities on the Pebble Property during the Option term including an obligation to maintain third party liability insurance.

In the event the Exploration Lands Option is exercised and Teck Cominco elects to form a joint venture respecting the Exploration Lands, each of the parties will hold a 50% joint venture interest and either party can choose from time to time a portion of the Exploration Lands to complete a project prefeasibility study. Within 90 days of the formation of the joint venture, Northern Dynasty and Teck Cominco will alternate in selecting from the Exploration Lands designated areas, which are sufficiently advanced to warrant a prefeasibility study with Northern Dynasty designating first. The designating party will act as operator and will be required to complete a prefeasibility study within two years of selecting the specified area (measuring up to 3.5 square km by 3.5 square km).

---

A management committee will be formed to approve programs of exploration, and the party acting as operator will be entitled to a cost recovery based on third-party contractor costs to reflect its own overhead expenses which recovery ranges from 10% to 5% on single-party contracts and 2% to 3% on mine operating costs. Each party must elect to contribute its proportionate share of ongoing exploration costs, and if a party elects not to contribute, the 50/50 initial interests of the parties will be adjusted so that each party holds an interest proportionate to its contribution to total exploration costs. If a party's interest is reduced to less than 10%, it will be deemed to have conveyed its working interest to the other party and will be entitled to the net profits royalty described above. The joint venture will have an area of interest pursuant to which each party will be obligated to contribute any acquired mineral interests in the vicinity of the Pebble Project to the joint venture.

#### ***Additional Requirements of Teck Cominco***

By a Consent to Assignment dated October 29, 2001, Teck Cominco consented to the HDGI Assignment, assigning the Teck Cominco Options to Northern Dynasty subject to certain provisos, including that in the event Northern Dynasty does not exercise its right to call the Carried Interest, the Resource Lands Option price will increase from US\$10 million to US\$12 million. The Consent also provides that HDGI and Northern Dynasty provide a cross-guarantee of each other's obligations to Teck Cominco, and an acknowledgement that Northern Dynasty has the right to make all elections and communications on behalf of HDGI and certain like matters to ensure Teck Cominco need only look to Northern Dynasty for certainty as to the legal positions of both HDGI and Northern Dynasty.

#### ***Amending Agreement Dated December 19, 2002***

By an Option Agreement Amendment dated December 19, 2002, Northern Dynasty issued an additional 200,000 shares to Teck Cominco to defer obligations under the Resource Lands Option for a one-year period, from November 30, 2003 to November 30, 2004.

#### **Pebble Property - Further Particulars of Technical Matters**

##### ***Location and Access***

The Pebble Property is centered at latitude 59 degrees 53 minutes 54 seconds North and longitude 155 degrees 17 minutes 44 seconds West in the Bristol Bay region of southwestern Alaska. It is approximately 380 km southwest of Anchorage and 27 km northwest of the village of Iliamna (Figure 1).

Access to the Pebble Project from Anchorage is via fixed wing aircraft to Iliamna. Iliamna has a state-operated airport with a 1,700 m paved airfield. It is serviced by several passenger and cargo flights daily from Anchorage, using Convair, Hercules and DC-6 aircraft, as well as smaller charter aircraft. Current access from Iliamna to the property is by helicopter, a flying distance of 27 km.

---



The Pebble Property is located 95 km from tidewater. Access to the coast from Lake Iliamna is provided by a 30 km, state-maintained road, which extends from Pile Bay at the eastern end of Lake Iliamna to Williamsport near Iniskin Bay on Cook Inlet. Bulk fuel and heavy freight can also be barged in during the summer months to Lake Iliamna via the Kvichak River. There is currently no road from Iliamna northwest to the Pebble Property.

*Figure 1*

***Topography and Climate***

The climate of the Iliamna area is similar to Anchorage with summer daytime high temperatures range from 10 to 17 degrees Celsius, and low temperatures varying from -10 to -13 degrees Celsius in December through to March. Average annual precipitation is 69 cm. The climate, although periodically harsh, is sufficiently moderate to allow a well-planned mineral exploration program to be conducted year-round.

The Pebble Property lies within an area of rolling hills and low mountains. Valley bottoms are at elevations of 250 m above sea level. The highest point on the property is Kaskanak Peak, at an elevation of 841 m. The currently known mineralized deposit (a mass of naturally occurring mineral material without regard to mode of origin) is situated at the 325 m elevation. Vegetation consists of sparse patches of alder trees separated by expanses of tundra and grass. The area was recently glaciated and glacial soil deposits and hummocky terrain abound. There are numerous streams and small, shallow lakes and ponds in the vicinity of the project, which could provide water for exploration drilling.

---

### *Mineral Claims Status*

The property forms a continuous block consisting of 1,317 located Alaska State mineral claims totaling 39,238 ha (96,960 acres). Annual rental fees are US\$127,290 and assessment work or cash in lieu obligations are US\$ 242,400.

### *Exploration History*

Regional exploration was initiated in the mid-1980s by Teck Cominco, and began in the Pebble area in 1986. Examination and sampling of several color anomalies in 1987 yielded anomalous gold concentrations from the Sill prospect, recognized as a precious-metal epithermal vein occurrence, and the Pebble discovery outcrop. The 1988 exploration program included 24 diamond drill holes at the Sill epithermal gold prospect, soil sampling, geological mapping and two diamond drill holes at the Pebble target. Drilling at the Sill prospect intercepted mineralization with gold grades that justified more work, which continued in 1989, with an expanded soil sampling program, an Induced Polarization ("IP") geophysical survey and the completion of 12 diamond drill holes at the Pebble target and 15 additional holes at the Sill prospect. Although limited in scope, the IP survey displayed a response characteristic of a large porphyry copper system. This interpretation was validated by subsequent drilling at the Pebble target, which intercepted long intervals of porphyry-style copper and gold mineralization.

Exploration was accelerated in 1990 and 1991, and 73 additional diamond drill holes were completed. In 1991, baseline environmental and engineering studies were initiated and weather stations were established. A preliminary economic evaluation was undertaken by Cominco Engineering Services Ltd ("CESL") in 1991 and subsequently revised in 1992. A further 14 drill holes were completed in the deposit area in 1992, followed by an IP survey and 4-hole drilling program in an area six km of the south of the deposit in 1993. In 1997, additional IP surveying, geochemical sampling and geological mapping was undertaken, and 20 holes were drilled into and around the Pebble deposit.

In August 2001, HDGI staked additional claims to cover ground where prior exploration had detected a multi-element soil geochemical anomaly and high IP chargeability on two widely spaced reconnaissance lines. The HDGI program also included collection and analysis of 601 soil samples and 30-line km of IP/resistivity geophysical surveys.

During 2002, Northern Dynasty drilled 68 holes, totaling 11,306 m (37,093 feet), exploring for additional porphyry deposits within which to define higher-grade resources. Surface exploration consisted of an 18.5 line-km ground magnetometer survey; a 328-sample soil geochemical survey and a few days of geological traverses. The Thirty-Eight Zone, a till covered copper-gold porphyry deposit, was discovered 12 km south of the Pebble deposit as well as several other prospects. Additionally, approximately 16,000 m (some 86%) of Teck Cominco's drill core from the Pebble deposit was re-logged and a sectional geological model for the deposit was completed.

Prior to the 2003 drilling program, Northern Dynasty commissioned an independent mineral resource estimate by engineering firm Snowden Mining Industry Consultants Inc. ("Snowden") of West Perth, Australia. Snowden estimated inferred resources in the Pebble deposit of 1.0 billion tonnes grading 0.40 g/t gold, 0.30% copper, and 0.015% molybdenum (0.61% copper-equivalent) above a cut-off grade of 0.30% copper-equivalent. Snowden also estimated that the Pebble deposit contains significant amounts of higher-grade mineralization: 271 million tonnes of 0.59 g/t gold, 0.43% copper and 0.018% molybdenum (0.86% copper-equivalent) above a cut-off grade of 0.70% copper-equivalent as documented in a technical report by Paul Blackney, B.Sc. (Hons.),

---

MAusIMM, MAIG, and Michael J. Casselman, P.Geo., May 2003. A detailed review of all core from Teck Cominco drilling programs, and modeling of the Pebble deposit by Northern Dynasty geologists confirmed that the mineralization is open for expansion and that there is potential to outline additional higher-grade material through further drilling.

#### *Preliminary Engineering Studies*

Preliminary engineering studies carried out by CESL in 1991-1992 indicate 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. 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 northwestern Alaska. 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. The preliminary engineering work also 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 test work on six core samples. In 1992, flotation testing utilized material assaying 0.41% Cu and 0.34 g/t Au, comprised of 1.2% chalcopyrite, 12.3% pyrite and 86.5% host rock with minor amounts of molybdenite. Metallurgical testing in 1994 utilized a 310 kg composite sample of mineralization collected from 8 core drill holes. The holes were a good spatial mix from within the central part of the deposit.

Grindability test results among the various metallurgical programs were fairly consistent; the metric ballmill work index range is 15.6 to 17.5 kilowatt hours per tonne of mineralization (kWh/t), averaging 17.1 kWh/t. The grindability tests are initial tests and only provide information on the known mineralized area only. Test work 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 disseminated throughout the host rock as well as in the veins and veinlets that occur throughout the deposit. As a result, much of the test work involved optimization of primary liberation size within a wide range.

Flotation (separation of minerals from waste rock in solution) test work was conducted during several programs from 1991 to 1994. The 1992 work utilized rougher, scavenger and cleaner flotation schematics. During the four years of test work, 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 test work will have to be done, including optimization of flotation, regrind and pyrite handling.

#### *Property Geology*

The Pebble property encompasses the eastern and southern margins of the approximately 200 km<sup>2</sup> in size, Late Cretaceous (89.7 Ma) in age, tonalite-granodiorite Kaskanak Batholith (coarse grained igneous rocks of intermediate composition, covering a large area), and the adjacent Jurassic-Cretaceous basinal volcanoclastic turbidites and interbedded mafic flows that the batholith had intruded. On the east side of the batholith, a northeast-trending structural corridor is marked by a linear cluster of multi-phased, compositionally and texturally variable, irregular stocks, sills, dikes

---

and breccia bodies (igneous bodies that are relatively small and circular, flat-lying, linear and structurally shattered, respectively) that are associated with and formed at the same time as the batholith. Numerous gold and copper-gold mineral occurrences, including the large Pebble and Thirty-Eight porphyry copper-gold-molybdenum deposits, are related to this diverse group of intrusions (coarse grained igneous rocks).

The Pebble deposit is a calc-alkalic porphyry (hosted by igneous rocks with potassium feldspar), encompassing four small granodiorite-quartz monzodiorite (coarse grained igneous rocks of intermediate composition) stocks and related sill-like intrusions. These stocks intrude folded and previously hornfelsed (metamorphosed) volcanoclastic (eroded and re-deposited volcanic rocks) sedimentary rocks that host earlier diorite sill-like intrusions, and later intrusion breccias (composed of angular fragments of intrusive rocks).

### ***Mineralization***

Mineralization consists principally of pyrite, chalcopyrite and molybdenite (common sulphide minerals of iron, iron-copper and molybdenum, respectively), occurring in and disseminated adjacent to stockworks (crosscutting networks) of fine veins in intrusive and sedimentary host rocks. 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 upper parts of the granodiorite stocks and is associated with strong secondary potassium-silicate alteration and development of quartz vein stockworks. The deposit mineralization occurs over an area of at least 2.8 km by 2.2 km, and to a depth of 500 m, and is unconstrained to the east under Tertiary cover, to the south, southwest, and to depth. A phyllic and propylitic alteration envelope (potassic, phyllic and propylitic alteration consists of assemblages of minerals that are commonly associated with porphyry mineralization; they occur in successive zones or envelopes in the deposit), up to 5.5 km by 2.5 km in area, is present around the deposit and contains gold concentrations exceeding 100 parts per billion (ppb).

Primary 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 occurs in chalcopyrite as disseminated grains and along sulphide-rich veins. Most gold grains are a few microns in diameter and occur near grain boundaries of pyrite and chalcopyrite. The pyrite content is low in the zone of potassic alteration. The overall ratio of gold grade (in g/t) to copper grade (in %) is about one. Molybdenite commonly occurs in quartz+pyrite veins and veinlets. The central higher-grade portions of the deposit contain >200 parts per million (ppm) molybdenum.

The intrusive complex is defined by widely spaced drilling, extending south from the southern edge of Pebble deposit for 1.5 km and with a width on the order of 600 m. Relatively sparse drilling defines persistent low-grade (0.2 to 0.3 g/t Au and 0.07 to 0.1% Cu) mineralization in this intrusion breccia. It is not clear if this mineralization is related to additional granodiorite stocks at depth (none have been encountered in drilling) or if it is related genetically to one or more of the older intrusive phases. High copper concentrations occur where the intrusive complex was intruded by the granodiorite; this might be related to a subordinate copper/gold contribution from one or more of the earlier intrusive phases, combined with the main copper mineralizing phase related to the later granodiorite.

Gold mineralization, in the range 0.5 to 1.5 g/t, is widespread in the zone of phyllic alteration bordering the zone of potassic alteration and propylitic alteration zone in diorite/gabbro to the northwest of the deposit (Hole 1 Gold Zone). Copper concentrations are very low in these areas. Gold mineralization is also associated with phyllic and locally K-feldspar alteration zones, up to a few metres wide, cutting across the major potassic alteration zone. Some of the phyllic zones are

---

envelopes of quartz-pyrite-(sericite-chlorite) veinlets and veins. Some crosscutting zones of phyllic alteration contain strongly anomalous concentrations of zinc, lead, and silver; some also contain strongly anomalous concentrations of gold. These zones represent a later, lower-temperature phyllic alteration that was superimposed on earlier, higher-temperature potassic alteration.

### ***Exploration in 2003***

Between May and November 2003, Northern Dynasty drilled 58 cored holes, totaling 19,729 m, to define the higher-grade portions in the Pebble deposit and also drilled 9 core holes, totaling 1,987 m, to test for extensions to and new mineralization at four other prospective zones on the property. Limited surface exploration was also conducted, consisting of geological mapping and soil geochemical traverses. The 2003 program cost approximately \$4.9 million.

Nine holes drilled on the Exploration Lands included three holes at the Central IP Anomaly area, three holes at the Northeast IP Anomaly area, one hole at the 38 Porphyry Deposit and two holes at the 37 Skarn Zone (Figure 2). Drilling at the Central IP target intersected weak mineralization, indicating potential for porphyry mineralization at depth but not near to the surface. Drilling at the Northeast IP target indicates good potential for an extension to the Pebble deposit to the northeast. The 2003 drilling continued to indicate the presence of substantial porphyry mineralization at the 38 Porphyry Deposit. Drilling at the 37 Skarn intersected moderate gold and copper values; further work is necessary to fully determine the potential of the skarn mineralization. Further details are provided in the May 2004 Technical Report by R. Haslinger, P.Eng. and others, filed on [www.sedar.com](http://www.sedar.com).

---







*Figure 2*

Drilling on the Resource Lands was designed to test for continuity and extensions of higher-grade zones within and adjacent to the deposit, and to further delineate the extent of the deposit. The

---

program was successful in achieving both of these objectives. Figure 3 is a plan of the drill holes into the Pebble deposit to the end of 2003.

*Figure 3*

***Estimates of Mineralization Pebble Deposit***

After Northern Dynasty completed the 2003 work at site and updated the geological model, the Company commissioned Norwest Corporation to estimate the new mineral resources at Pebble. The independent Qualified Person, as defined under Canadian Securities legislation, for the resource estimate was John Nilsson, P.Eng. This inferred resource is based on Canadian Institute of Mining and Metallurgy categories, which differ from those used in the United States and the term "mineralization" is used herein to generally describe these estimates. The methodology and parameters are described in detail in the technical report "Resources Estimate, Pebble Copper Gold Project, Iliamna Lake Area, Alaska" dated February 20, 2004 and filed on [www.sedar.com](http://www.sedar.com).

The estimate demonstrated that the 2003 drilling program increased the overall resource for the deposit and the higher-grade portion within it. The estimated inferred mineral resource is 2.74 billion tonnes grading 0.55% copper-equivalent<sup>1</sup> (0.30 g/t Au, 0.27% Cu and 0.015% Mo above a cut-off grade of 0.30% copper-equivalent<sup>1</sup>), containing 26.5 million ounces of gold and 16.5 billion pounds of copper. In addition, there are an estimated 435 million tonnes grading 0.49 g/t Au, 0.42% Cu and 0.021% Mo, or 0.84% copper-equivalent above a cut-off grade of 0.70% copper-equivalent<sup>1</sup>. Estimates for these and other cut-off grades are tabulated below:

---

Pebble Deposit Inferred Mineral Resources							
Cut-Off CuEQ <sup>1</sup> %	Size Million Tonnes	Copper %	Gold g/t	Grade		Contained Metal	
				Molybdenum %	CuEQ <sup>1</sup> %	Copper B lbs	Gold M oz
0.30	2,737	0.27	0.30	0.015	0.55	16.5	26.5
0.40	2,232	0.30	0.33	0.016	0.60	14.5	23.8
0.50	1,573	0.32	0.37	0.017	0.66	11.3	18.8
0.60	883	0.37	0.43	0.019	0.74	7.1	12.1
0.70	435	0.42	0.49	0.021	0.84	4.0	6.8
0.80	208	0.48	0.55	0.023	0.95	2.2	3.7

<sup>1</sup>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 and copper represent estimated contained metal in the ground and have not been adjusted for metallurgical recoveries. Adjustment factors to account for differences in relative metallurgical recoveries for gold, copper and molybdenum will depend upon the completion of definitive metallurgical testing.  $CuEQ = Cu \% + (Au \text{ g/t} \times 11.25/17.64) + (Mo \% \times 99.23/17.64)$

### *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. As well, a total of 164 core drill holes were completed prior to 2002. Samples of the NQ (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 Pebble deposit core samples were analyzed for gold (Au). Copper (Cu) 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 Inductively Coupled Plasma (ICP) analysis was also done on every sample beginning with hole 15. In the Sill area, samples from selected core intervals were analyzed for Au and silver (Ag).

The 1997 drill core samples were prepared by drying, then crushing to 10 mesh (<2mm); a 250 g portion was pulverized to 200 mesh (<75 microns). The sample was analyzed for Cu using an Aqua Regia (AR) digestion and Inductively Coupled Plasma Atomic Emission Spectroscopy (ICP-AES). Au was analyzed using Fire Assay (FA) on a one assay ton sample with an Atomic Absorption Spectrometry (AAS-AES) finish. Trace elements were also analyzed by AR digestion and ICP-AES. One blind standard was inserted for every 20 samples analyzed. One duplicate sample was taken for each ten samples analyzed. The 1997 drill hole samples were check analyzed with excellent correlation for Cu and good correlation for Au. Every 40 soil samples analyzed included four random repeats, one standard and one blank sample. There was excellent correlation for Cu among these samples and good to adequate Au correlation.

Northern Dynasty personnel or agents collected all samples during the 2001-2003 programs. A total of 658 analytical results were returned from the laboratory for soil samples from 601 locations in 2001, and 374 analytical results for soil samples from 341 locations in 2002. The results included 30 lab duplicates and 60 lab standards. In 2001, samples were air dried, then shipped by airfreight from the project site to Acme Analytical Laboratories ("Acme") in Vancouver, B.C. via Anchorage, Alaska. At Acme, the soils were dried and sieved through an 80-mesh screen and

then analyzed for 32 elements using two methods. Au content was determined to the 0.2 ppb level using the Acme Group 3A wet digestion method. A 10 g sample was digested in AR, 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 one g pulp to

---

determine other elements and gold to the ppm level. In this method, the samples were digested in hot AR and analyzed by ICP-AES.

For all Northern Dynasty drilling programs, core is boxed at the drill rig and transported daily by helicopter to the secure core logging facility in Iliamna, Alaska, where it is geologically logged and digital photographs of each box of core 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 is 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 scheduled air service to Anchorage. From Anchorage, the samples are taken by commercial surface transport to sample preparation laboratories at Fairbanks, Alaska.

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. All core drilled was sampled, except for 170 m of overlying Tertiary volcanic rocks in holes 2036 and 2040. In 2002, sample preparation was done at ALS Chemex's Fairbanks laboratory. Each sample bags was 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, an ISO 9002 certified laboratory. The remaining pulps were shipped to the Company's secure warehouse at Port Kells, BC. The coarse rejects were held for several months at the Fairbanks laboratory until all Quality Assurance/Quality Control (QAQC) measures were completed, then discarded.

All 2,467 samples taken during the 2002 program were analyzed for Au by FA and for 34 elements, including Cu and molybdenum (Mo), using a standard multi-element geochemical method. In addition, several drill holes exhibiting copper-gold porphyry style mineralization were subject to Cu assay level determinations, and a few Mo assay level determinations were also performed. Au content was determined by 30 g FA fusion with lead as a collector and an 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 AR digestion with ICP-AES finish. A total of 1,822 samples from 31 holes drill holes exhibiting porphyry-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 percent 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 ¼-core reject splits assayed for metallic gold by Acme in Vancouver.

SGS Minerals Services ("SGS") laboratories completed all analytical work in 2003. A total of 6,443 drill core samples, averaging 3.3 m in length, were taken from the 19,552 m drilled in this program. At SGS in Fairbanks, the sample bags were verified against the numbers listed on the

---

shipment notice. The entire sample was dried, weighed, crushed to 75% passing 2 mm (10 mesh), a 400 g split taken and pulverized to 95% passing 75 micron (200 mesh). The pulp was split and 125 g shipped by commercial air freight. In June 2003, 96 soil samples were taken, expanding the surface geochemical survey coverage. These samples were sent to SGS in Fairbanks Alaska, dried at 60 C and sieved through an 80-mesh screen. All samples were shipped to SGS Canada Inc., an ISO 9002 registered ISO 17025 accredited laboratory in Toronto, Ontario, for AR digestion ICP-AES and Cu analyses. Au was determined by one assay ton (30 g), lead collection FA fusion with an AAS finish at the SGS laboratory in Rouyn, Québec.

Gold was determined at the SGS laboratory in Rouyn, Québec, by one assay ton (30 g), lead collection FA fusion with an AAS finish. Ten samples with Au results greater than 2,000 ppb (2 g/t) were re-analyzed by 30 g FA fusion with a gravimetric finish. All samples were subject to multi-element analysis, for 33 elements including Cu and Mo, by AR digestion ICP-AES finish. Total Cu content was determined for all 6,226 drill core samples taken from porphyry-style deposits. Samples were fused with sodium peroxide, digested in dilute nitric acid and the solution analyzed by ICP-AES, results reported in percent. Five drill holes were not assayed for Cu by peroxide fusion: hole 3103 drilled on the Hole 5 Zone, holes 3088 and 3090 drilled on the 37 Skarn Zone, and holes 3107 and 3109 drilled on the North IP Anomaly target. Copper results for these holes are by multi-element ICP. The remaining pulp was shipped to the Company's Port Kells warehouse. The coarse reject is stored at the Fairbanks laboratory.

Drilling, sampling and QAQC are supervised by qualified persons employed by Northern Dynasty. Core samples were logged and identified in the field with consecutively numbered sample tags, on which the analytical QAQC designations for standards and duplicates were pre-marked. In the 2003 program, Au-Cu-bearing or Cu-bearing standard reference samples were inserted with the regular samples. The 331 blind analyses of standards represent over 5% of the total samples analyzed. A total of 381 reject duplicates samples were also prepared and analyzed at the ALS Chemex, representing a further 6% of the total. The program is separate from the internal procedures used at the analytical laboratory.

#### ***Exploration in 2004 Plan of Operation***

An extensive program is planned for 2004, involving the collection of engineering and environmental data required for the completion of feasibility studies and the initiation of the permitting process. The program encompasses approximately 130,000 feet (40,000 m) of drilling, including delineation drilling to establish measured and indicated resources as well as holes for geotechnical, metallurgical and hydrological design. Exploratory drilling is also planned at new zones and unexplored targets. The latter will enable the Company to complete the 60,000 feet of drilling required to earn a 50% interest in the Exploration Lands.

<b>Pebble Property - 2004 Proposed Program</b>		
<b>Activity</b>	<b>Amount</b>	<b>Cost (C\$)</b>
Exploration & Development Drilling	30,000 m	
Engineering Drilling	10,000 m	
<b>Subtotal Drilling Programs (all in)</b>	<b>40,000 m</b>	<b>16,100,000</b>
Other Engineering Studies		5,400,000
Environmental		10,850,000
Other		1,000,000

<b>TOTAL</b>		<b>\$33,350,000</b>
--------------	--	---------------------

---



**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. As an active junior resource issuer, Northern Dynasty does not consider it likely that even if project economics warrant commercial production that Northern Dynasty as it is presently constituted would have the financial and manpower resources to place the Pebble Project into commercial production entirely by itself, as such operations require large corporate, technical and financial infrastructure in excess of Northern Dynasty's present capacities.

Under Canadian generally accepted accounting principles ("GAAP") corporate administrative expenses are written off yearly and property development and acquisition costs may be 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 issued 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 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 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 \$0.35 to \$0.41 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 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 favorable rates available to mitigate the effects of the United States/Canadian dollar exchange rate on its 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 2003 Compared with Fiscal 2002***

The Company recorded a loss of \$8,299,461 over the 2003 fiscal year, compared to a loss of \$4,502,094 over the first nine months of 2003 and \$5,112,493 in the prior fiscal year. The expenditures for 2003 (\$8,429,779) are higher than in the previous fiscal year (\$5,101,817) and this is largely attributed to higher exploration costs (2003 - \$5,501,729; 2002 - \$4,329,936), stock-based compensation (2003 - \$1,675,064; 2002 - \$13,271), and shareholder communication (2003 - \$578,476; 2002 - \$164,031).

The main exploration expenditure was for drilling (2003 - \$2,700,068; 2002 - \$1,142,867). During the 2003 fiscal year, 21,713 metres (71,238 feet) of drilling were completed. Other significant exploration costs for the year were (2003 - \$632,331; 2002 - \$601,641) for helicopter and fixed wing for transportation to site and drill moves, (2003 - \$723,326; 2002 - \$497,291) for site activities that include local support services and supplies and (2003 - \$622,183; 2002 - \$629,082) for geological wages for planning and supervising the drill program and for logging core from the program. Increased assay and analytical costs of \$290,771 (2002 - \$118,948) were also paid during the year.

Office and administration costs increased from \$454,190 spent in the 2002 fiscal year to \$521,557 in the 2003 fiscal year. Shareholder communication expenses increased from \$164,031 spent in the previous year to \$578,476 in fiscal 2003, and reflect the increased level of corporate and investor relations activity.

---

***Fiscal 2002 Compared with Fiscal 2001***

The Company writes off as expenses all of 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.

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".)

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 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 June 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 2003 Compared with Fiscal 2002***

On July 31, 2003, the Company completed a private placement consisting of 6,944,445 units at a price of \$0.72 per unit. Each unit was comprised of one common share and one warrant exercisable to purchase an additional common share at a price of \$0.90 until June 12, 2004. All shares issued pursuant to the private placement financing and upon the exercise of the warrants have a hold period expiring July 31, 2004.

The private placement financing was made by Shambhala Gold Limited ("Shambhala"), a subsidiary of Galahad Gold plc, and received shareholder approval at the annual and extraordinary general meeting of shareholders of the Company on July 14, 2003. Shambhala Mining Corp., a wholly owned subsidiary of Shambhala incorporated under the laws of the Yukon, at June 1, 2004 held approximately 20% of the issued shares of Northern Dynasty. Shambhala has the right to participate in any equity financing by the Company to maintain its pro rata interest in the Company as long as Shambhala controls 20% or more (undiluted) of the Company's issued and outstanding shares (the "Cooperative Period"). During the Cooperative Period, Shambhala is entitled to and did nominate two directors to Northern Dynasty's board, namely Brian Mountford and Ian Watson. Shambhala has agreed that it will vote its shares in favour of resolutions recommended by the Company's board of directors. If at any time during the Cooperative Period, Northern Dynasty elects to exercise its right to purchase the area of the Pebble Property known as the Resource Lands, financed by way of equity, Shambhala has a right of first refusal to subscribe for securities of Northern Dynasty to finance all or part of the exercise amount. The initial proceeds of the financing were allocated for the 2003 drilling program and the remainder (and potential additional proceeds from the exercise of warrants) to further advance the Pebble project. The main activity in 2003 was drilling. As tabulated below, all of the anticipated exploration expenditures are comparable to those proposed in the budget, except for site activities and miscellaneous. Site activities and miscellaneous are lower because the drilling program was completed in a shorter time than was anticipated. Administrative costs are higher mainly due to increased financing and shareholder communications activities.

---

**Pebble 2003 Project Expenditures**

<b>Activity</b>	<b>Planned (Cdn\$ millions)</b>	<b>Actual (Cdn\$ millions)</b>
Drilling and assaying	2.32	2.34
Geological and reporting	0.85	0.62
Engineering and reporting	0.08	0.09
Site activities and miscellaneous	1.87	1.50
Land fees	0.61	0.20
Graphics and database	-	0.10
Administration	0.68	1.25
<b>Total</b>	<b>5.96</b>	<b>6.10</b>

At December 31, 2003, Northern Dynasty had working capital of \$3,240,887, as compared to \$496,048 at the end of the previous fiscal year. Working capital increased as a result of the Shambhala financing, the July 2003 private placement, and \$4,239,257 in cash received from the exercise of options and warrants during the year. Northern Dynasty had 31,733,186 common shares issued and outstanding at December 31, 2003.

Subsequent to the year-end, on March 16, 2004, the Company completed a private placement by issuing 2,750,000 units at \$8.00 each. Each unit was comprised of a common share and one half warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$9.00 until March 16, 2005.

***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 OTC-BB (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 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 2003 year-end, Northern Dynasty estimates that the cost of maintaining its corporate administrative activities at approximately \$100,000 per month. Accordingly, Northern Dynasty's management estimates that approximately \$1.2 million will be needed to maintain its corporate status and assets over the ensuing one-year period excluding Pebble Property activities. Northern Dynasty had current working capital of approximately \$3.2 million as of December 31, 2003 and 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 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.

Copper is a commodity metal used extensively in the housing and automotive industries and accordingly demand for copper varies directly with general economic conditions. The copper price has increased substantially, averaging US\$0.81/lb in 2003 and US\$1.25/lb to date in 2004.

Gold prices improved significantly in 2003, averaging about US\$364/oz for the year. The upward trend has continued in 2004. As a result the gold price has averaged about US\$408/oz in the year to date.

**ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. Directors and Senior Management**

<b>Name, Position and Municipality of Residence</b>	<b>Period a Director of the Company</b>	<b>Shares Beneficially Owned or Controlled (1)</b>
David J. COPELAND Director Vancouver, British Columbia	Since June 1996	46,100 shares 85,000 options
Scott D. COUSENS Director Vancouver, British Columbia	Since June 1996	6,000 shares 85,000 options
Robert A. DICKINSON (2) Chairman of the Board and Director Vancouver, British Columbia	Since June 1994	1,207,055 shares 85,000 options
Gordon J. FRETWELL Nominee Vancouver, British Columbia	Nominee	Nil shares Nil options
Jeffrey R. MASON Chief Financial Officer, Secretary and Director Vancouver, British Columbia	Since June 1996	Nil shares 85,000 options
Brian MOUNTFORD (5) Director Surrey, British Columbia	Since July 2003	Nil shares 242,500 options





Name, Position and Municipality of Residence	Period a Director of the Company	Shares Beneficially Owned or Controlled (1)
Ronald W. THIESSEN President, Chief Executive Officer and Director Vancouver, British Columbia	Since November 1995	72,782 shares 85,000 options
Ian WATSON (3) Director London, England	Since July 2003	Nil shares 242,500 options (4)
Bruce A. YOUNGMAN Vice President and Director Surrey, British Columbia Notes	Since June 1994	253,600 shares 85,000 options

1. The information as to principal occupation, business or employment and shares beneficially owned or controlled, of certain directors is not within the knowledge of the management of the Company and has been furnished by the respective nominees.
2. Certain of these shares are registered in the name of United Mineral Services Ltd. and 491038 B.C. Ltd., both companies which are controlled by Mr. Dickinson.
3. Mr. Watson is Chairman and Managing Director of Galahad Gold plc, which controls Shambhala Gold Limited, which in turn holds 6,839,445 shares of Northern Dynasty. As of April 7, 2004, Mr. Watson was beneficially interested in 220,877,573 common shares, or approximately 39.28%, of Galahad Gold plc.
4. Included in this total held by Mr. Watson are 157,500 options, the economic benefits of which accrue to Shambhala Gold Limited.
5. Mr. Mountford also serves as a consultant to Galahad Gold plc.
6. As of April 30, 2004, the total beneficial security holdings of the Directors and Officers is 1,585,537 shares which represents approximately 4.5% of the current outstanding shares. The Directors and Officers also hold an aggregate of 995,000 options.

**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 Taseko and other companies for which Hunter Dickinson Inc. provides services. He is also a director of Hunter Dickinson Inc.

Mr. Copeland is, or was within the past years, an officer and/or director of the following public companies: **Amarc Resources Ltd.**, Director (September 1995 to present); **Anooraq Resources Corporation**, Director (September 1996 to present); **Farallon Resources Ltd.**, Director (December 1995 to present); **Great Basin Gold Ltd.**, Director (February 1994 to present); **Continental Minerals Corporation** (formerly Misty Mountain



Gold Limited), Vice-President, Project Development (June 1995 to February 1996 and June 1997 to June 1998) and Director (November 1995 to present); **Northern Dynasty Minerals Ltd.**, Director (June 1996 to present); **Taseko Mines Limited**, Director (January 1994 to present) (including Director of Gibraltar Mines Ltd., a private mining company, which is a wholly owned subsidiary of Taseko Mines Limited); **Casamiro Resource Corp.**, Director (February 1995 to August 2002).

#### **SCOTT D. COUSENS - Director**

Scott D. Cousens provides management, technical and financial services to a number of publicly traded companies. Mr. Cousens' focus for the past 14 years has been the development of relationships within the international investment community. Substantial financings and subsequent corporate success has established strong ties with North American, European and Asian investors.

Mr. Cousens is, or was within the past years, an officer and/or director of the following public companies: **Amarc Resources Ltd.**, Director (September 1995 to present); **Anooraq Resources Corporation**, Director (March 1994 to September 1994) and (September 1996 to present); **Farallon Resources Ltd.**, Director (December 1995 to present); **Great Basin Gold Ltd.**, Director (March 1993 to present); **Continental Minerals Corporation** (formerly Misty Mountain Gold Limited), Director (June 1994 to present); **Northern Dynasty Minerals Ltd.**, Director (June 1996 to present); **Rockwell Ventures Inc.**, Director (November 2000 to present); and **Taseko Mines Limited**, Director (October 1992 to present).

#### **ROBERT A. DICKINSON, B.Sc., M.Sc. 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 36 years. He is a director of Hunter Dickinson Inc. He is also President and Director of United Mineral Services Ltd., a private investment company.

Mr. Dickinson is, or was within the past years, an officer and/or director of the following public companies: **Amarc Resources Ltd.**, Director (April 1993 to present), Chairman (April 2004 to present), Chairman (September 2000 to April 2004), President (September 1995 to September 2000), Chief Financial Officer (September 1995 to September 1998) and Chief Executive Officer (September 1998 to September 2000); **Anooraq Resources Corporation**, Director (November 1990 to present), Chairman (April 2004 to present), Chairman (September 2000 to April 2004), President (September 1996 to September 2000), Chief Financial Officer (September 1996 to February 1999) and Chief Executive Officer (February 1999 to September 2000); **Farallon Resources Ltd.**, Director (July 1991 to present), Chairman (April 2004 to present), Chairman (September 2000 to April 2004) and Chief Executive Officer (December 1995 to September 2000); **Great Basin Gold Ltd.**, Director (May 1986 to present), Chairman (April 2004 to present), Chairman (September 2000 to April 2004), President (May 1986 to September 2000), Chief Executive Officer (November 1998 to September 2000), Chief Financial Officer (May 1986 to June 1998); **Continental Minerals Corporation** (formerly Misty Mountain Gold Limited), Director (November 1995 to February 2001), Chairman (September 2000 to

---

February 2001), President (November 1995 to September 2000), Chief Financial Officer (June 1993 to June 1998), Chief Executive Officer (June 1998 to September 2000); **Northern Dynasty Minerals Ltd.**, Director (June 1994 to present), Chairman (April 2004 to present), Chairman (November 2001 to April 2004), Chief Executive Officer (May 1997 to November 2001); **Rockwell Ventures Inc.**, Chairman and Director (November 2000 to present); **Taseko Mines Limited**, Director (January 1991 to present), Chairman (April 2004 to present), Chairman (September 2000 to April 2004), President (January 1991 to September 2000), Chief Financial Officer (January 1991 to November 1998), Chief Executive Officer (November 1998 to September 2000), (including Chairman and Director of Gibraltar Mines Ltd. a private mining company, which is a wholly owned subsidiary of Taseko Mines Limited).

**JEFFREY R. MASON, CA Chief Financial Officer, 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 international accounting firm of Deloitte & Touche. Following comptrollership positions at an international commodity mercantilist and Homestake Mining Group of companies including responsibility for North American Metals Corp. and the Eskay Creek Project, Mr. Mason has spent the last several years as a corporate officer and director to a number of publicly-traded 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 to which Hunter Dickinson Inc. provides services.

Mr. Mason is, or was within the past years, an officer and or director of the following public companies: **Amarc Resources Ltd.**, Secretary and Director (September 1995 to present), Treasurer (September 1995 to September 1998) and Chief Financial Officer (September 1998 to present); **Anooraq Resources Corporation**, Director (April 1996 to present), Treasurer (September 1996 to February 1999), Chief Financial Officer (February 1999 to present), Secretary (September 1996 to present); **Farallon Resources Ltd.**, Secretary (December 1995 to present), Chief Financial Officer (December 1997 to present) and Director (August 1994 to present); **Great Basin Gold Ltd.**, Director (February 1994 to present), Secretary (February 1994 to present), Chief Financial Officer (June 1998 to present), Treasurer (February 1994 to June 1998); **Continental Minerals Corporation** (formerly Misty Mountain Gold Limited), Secretary (November 1995 to present), Treasurer (November 1995 to June 1998), Chief Financial Officer (June 1998 to present) and Director (June 1994 to present); **Northern Dynasty Minerals Ltd.**, Secretary (June 1996 to present), Director (June 1996 to present), Chief Financial Officer (June 1998 to present), Treasurer (May 1997 to June 1998); **Rockwell Ventures Inc.**, Chief Financial Officer and Director (November 2000 to present); **Taseko Mines Limited**, Secretary (March 1994 to present), Chief Financial Officer (November 1998 to present), Director (March 1994 to present), and Treasurer (March 1994 to November 1998), and (including Chief Financial Officer, Secretary and Director of Gibraltar Mines Ltd., a private mining company, which is a wholly owned subsidiary of Taseko Mines Limited).

**BRIAN MOUNTFORD, P. Eng, C Eng Director**

Brian Mountford is a UK-educated mining engineer with professional affiliations in Canada (P.Eng) and the UK (C Eng). Since emigrating to Canada in 1968, he has obtained a diverse experience in the mining industry. He has combined his mining expertise with the

initiation and financing of new companies. He has been involved as a principal in the development of several exploration projects that were progressed through to commercial production. Typical examples are the Montana Tunnels Mine, where he was President of **Centennial Minerals Ltd** and the Britannia Mine (President of **High River Gold**). Others include Las Torres, Pinson, Preble and Gilt Edge. Mr. Mountford is also a General and Technical Reviewer for the **Association of Professional Engineers of British Columbia**. In this capacity he evaluates the work of other licensed engineers. During the last five years he has been, President and Director of **Aldridge Resources Ltd** (1995 to 2003) a publicly traded company.

**RONALD W. THIESSEN, CA President, Chief Executive Officer and Director**

Ronald W. Thiessen is a Chartered Accountant, with professional experience in finance, taxation, mergers, acquisitions and re-organizations. Since 1986 Mr. Thiessen has been involved in the acquisition and financing of mining and mineral exploration companies. Mr. Thiessen is employed by Hunter Dickinson Inc., a company providing management and administrative services to several publicly-traded companies and focuses on directing corporate development and financing activities. He is also a director of Hunter Dickinson Inc.

Mr. Thiessen is, or was within the past years, an officer and/or director of the following public companies: **Amarc Resources Ltd.**, Director (September 1995 to present), President and Chief Executive Officer (September 2000 to present); **Anooraq Resources Corporation**, Director (April 1996 to present), President and Chief Executive Officer (September 2000 to present); **Farallon Resources Ltd.**, Director (August 1994 to present), President and Chief Executive Officer (September 2000 to present); **Great Basin Gold Ltd.**, Director (October 1993 to present), President and Chief Executive Officer (September 2000 to present); **Continental Minerals Corporation** (formerly Misty Mountain Gold Limited), Director (November 1995 to present), President and Chief Executive Officer (September 2000 to present); **Northern Dynasty Minerals Ltd.**, President and Chief Executive Officer (November 2001 to present), Director (November 1995 to present); **Rockwell Ventures Inc.**, President and Chief Executive Officer (November 2000 to present); **Taseko Mines Limited**, Director (October 1993 to present), President and Chief Executive Officer (September 2000 to present), (including Director of Gibraltar Mines Ltd., a private mining company, which is a wholly owned subsidiary of Taseko Mines Limited.); **Casamiro Resource Corp.**, President and Director (February 1990 to August 2002).

**IAN WATSON Director**

Ian Watson is a financier with a background in mining finance and investment banking. His principal occupation is Chairman and Managing Director of Galahad Gold plc. Galahad is quoted on the AIM Market of the London Stock Exchange and is the largest single shareholder in Northern Dynasty Minerals Ltd. Previously, he was a consultant to American Barrick, now Barrick Gold Corporation and was one of the founders of Centennial Minerals Ltd. and was its Chairman until 1985. Three years after it started, Centennial's success was reflected in a friendly, recommended take-over by Pegasus Gold Corporation.

Mr Watson is, or has been within the past 5 years an officer and or a director of the following companies: **Shambhala Gold Limited, Shambhala Gold Corp., Advisie NV,**

---

Northern Dynasty Minerals Ltd., Institute of Noetic Sciences, Global Light Telecommunications Inc., Global Thyme Inc., GST Mextel, Inc., Un Limited, Brightstar Limited, Eclipse Limited, Bestel, S.A. de C.V, Bestel USA Inc., Highpoint Telecommunications Inc., Pilot Limited, Thyme Limited, Global Fibernet NV, Vitacom Corporation, Datamax Telemangement Corporation, Highpoint Carrier Services Inc., Highpoint International Telecommunications Inc., Highpoint Carrier Services Europe Limited, Peach Technologies (Europe) Limited, Aduronet Transport Limited, Highpoint Telecommunications Europe Limited, Kast Telecom Europe BV, Forgiveness Project Inc., NeTrue Communications Inc., Vine Telecom Limited, Axxon Holding Company BV, Kast Telecom Europe SA, Axxon Telecom BV, NACT Telecommunications Inc.

**BRUCE A. YOUNGMAN, B.Sc. Vice-President and Director**

Bruce Youngman holds a Bachelor of Science degree in geology from the University of British Columbia and in his more than 20 years of experience, has undertaken assignments in a variety of capacities in the exploration field throughout North America. Mr. Youngman is, or within the past five years has been a director or officer of the following companies: **Northern Dynasty Minerals Ltd.** as Vice-President (November 2001 to present), President (June 1994 to November 2001) and Director (June 1994 to present), **First Integrated Enterprises Ltd.** as Director (June 2001 to present).

**B. Compensation**

During Northern Dynasty's financial year ended December 31, 2003 the aggregate direct remuneration paid or payable to Northern Dynasty's directors and senior officers by Northern Dynasty was \$332,527 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 Jeffrey R. Mason, Chief Financial Officer and Secretary, are "Named Executive Officers" 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	Annual Compensation			Long Term Compensation			All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP Payouts (\$)	
Ronald W. Thiessen (1) President, Chief Executive Officer and Director	2003	74,160	0	0	85,000	0	0	0
	2002	42,533	0	0	0	0	0	0
	2001	8,704	0	0	160,000	0	0	0
Jeffrey R. Mason Chief Financial Officer, Secretary and Director	2003	55,950	0	0	85,000	0	0	0
	2002	29,906	0	0	0	0	0	0
	2001	8,704	0	0	160,000	0	0	0

#### LONG-TERM INCENTIVE PLANS AWARDS

Long term incentive plan awards ("LTIP") means "a plan providing compensation intended to motivate performance over a period greater than one financial year whether performance is measured by reference to financial performance of the Company or an affiliate, or the price of the Company's Shares. The Company did not award any LTIPs to any Named Executive Officer during the most recently completed financial year.

#### Share Options

The Company has in place a stock option plan dated for reference June 18, 2003 (the "Plan"). The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Plan is administered by the directors of the Company. The Plan provides that options will be issued to directors, officers, employees or consultants of the Company or a subsidiary of the Company. All options expire on a date not later than five years after the date of grant of such option.



The share options were granted to the Named Executive Officers during the financial year ended December 31, 2003 were as follows:

Name	Securities Under Options Granted (#)	% of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Ronald W. Thiessen	85,000	4.1%	\$5.00	\$5.00	November 30, 2005
Jeffrey R. Mason	85,000	4.1%	\$5.00	\$5.00	November 30, 2005

The share options exercised by the Named Executive Officers during the financial year ended December 31, 2003 and the values of such options at the end of such year were as follows:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at FY-End (\$) Exercisable/ Unexercisable
Ronald W. Thiessen	160,000	294,000	Nil / 85,000	Nil / \$63,750
Jeffrey R. Mason	Nil	Nil	Nil / 85,000	Nil / \$63,750

No share options were repriced on behalf of the Named Executive Officers during the financial year ended December 31, 2003.

#### **Defined Benefit or Actuarial Plans**

There are no defined benefit or actuarial plans in place.

#### **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 or 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 June 1, 2004)**

<b>Name of Insider</b>	<b>Shares owned or beneficially controlled<sup>(3)</sup></b>	<b>Percentage of current issued and outstanding common shares<sup>(4)</sup></b>	<b>Number of Options Outstanding to Insider</b>
David J. Copeland	46,100	0.1%	85,000
Scott D. Cousens	6,000	0.0%	85,000
Robert A. Dickinson <sup>(2)</sup>	1,207,055	3.5%	85,000
Jeffrey R. Mason	nil	0.0%	85,000
Brian Mountford	nil	0.0%	242,500
Ronald W. Thiessen	72,782	0.5%	85,000
Ian Watson	nil	0.0%	242,500
Bruce A. Youngman	253,600	0.7%	85,000
<b>Total</b>	<b>1,585,537</b>	<b>4.5%</b>	<b>995,000</b>

**Securities Held By Insiders**

As of June 1, 2004 the directors and officers of Northern Dynasty and their affiliates held as a group, directly and indirectly, own or control an aggregate of 1,585,537 common shares (4.5% of outstanding common shares). Insiders also hold 995,000 options to acquire additional common shares. To the knowledge of the directors and executive officers of the Company, at May 31, 2004, only the following persons or corporations beneficially own, directly or indirectly or exercised control or direction over, Shares carrying more than 10% of the voting rights attached to all outstanding Shares of the Company:

<b><u>Shareholder Name</u></b>	<b><u>Number of Shares Held</u></b>	<b><u>Percentage of Issued Shares</u></b>
Shambhala Gold Limited, a wholly owned subsidiary of Galahad Gold plc	6,839,445	19.4%

Shambhala Gold Limited, at June 1, 2004, also held 6,944,445 warrants each exercisable to purchase an additional common share at a price of \$0.90 until June 12, 2004.

The above information was supplied by the Company and by Computershare Trust Company of Canada, the Company's registrar and transfer agent.

**C. Board Practices**

All directors were re-elected at the June 2003 annual general meeting and have a term of office expiring at the next annual general meeting of Northern Dynasty scheduled for June 23, 2004. All officers have a term of office lasting until their removal or replacement by the Board of Directors. There were no arrangements, standard or otherwise, pursuant to which directors were compensated by the Company or its subsidiaries 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. The Company paid \$1,057 to a private engineering company owned by David Copeland, a director, for engineering services provided during the year at market rates. During the most recently completed fiscal year, \$18,000 were paid to a private company controlled by Brian Mountford for engineering and project management services provided by him, at market rates.

During the fiscal year, 995,000 incentive options (85,000 to each of six directors and 242,500 to each of two directors) to purchase shares were granted to the directors at an average exercise price of \$4.16 per share. The options expire in July and November 2005. The options were issued pursuant to the Company's Share Option Plan. The Share Option Plan was approved by disinterested shareholders at the Company's annual general meeting held on June 18, 2003.

Commencing January 1, 2004, each director of the Company is paid an annual director's fee of \$2,400 (\$600 paid quarterly) and an additional fee of \$600 for each directors' meeting attended. Each director who is a member of a committee receives \$2,400 (\$600 paid quarterly) for each committee of which he or she is a member, and a further fee of \$600 for each committee meeting attended.

#### **D. Employees**

At June 1, 2004, Northern Dynasty had no direct full-time employees, but rather it ordinarily contracts staff from Hunter Dickinson Inc. on an as-needed basis. Northern Dynasty's functions are primarily administered through Hunter Dickinson Inc. (see Item 7).

#### **E. Share Ownership - Stock Options**

As at June 1, 2004, an aggregate of 2,049,168 shares have been reserved for issuance pursuant to the following director, executive officer and service provider stock options:

##### **(a) Incentive Options**

<u>Optionholder Status</u>	<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Date of Grant</u>	<u>Expiry Date</u>
Directors and Officers of Northern Dynasty	315,000	\$2.35	August 14, 2004	July 29, 2005
	680,000	\$5.00	October 30, 2003	November 30, 2005
	995,000			
Employees and Consultants	38,834	\$0.50	December 11, 2002	December 20, 2004
	75,000	\$0.75	May 8, 2003	May 9, 2005
	50,000	\$0.94	July 8, 2003	July 29, 2005
	10,500	\$1.18	July 8, 2003	July 29, 2005
	7,500	\$2.30	September 18, 2003	September 19, 2005
	834,334	\$5.00	October 30, 2003	November 30, 2005
	38,000	\$5.05	December 4, 2003	November 30, 2005
	1,054,168			
2,049,168				

In fiscal 2003, 1,014,500 options were exercised with proceeds of \$411,665 at an average price of \$0.41 per share. In fiscal 2004 to June 1, 2004, 192,082 options were exercised, at an average price of \$0.75, with proceeds of \$143,563.

---

**(b) Share Incentive Plan**

In order to provide incentive to directors, officers, employees, management and others who provide services to the Company to act in the best interests of the Company, in particular during the expanded feasibility, development and potential production phases, management of the Company proposed for its 2004 Annual and Extraordinary General Meeting, scheduled to be held June 23, 2004 that shareholders approve a resolution to amend and restate the existing share option plan as the "2004 Plan". The share option plan was approved by shareholders at the Company's annual general meeting held on June 18, 2003. Under the share option plan (the "2003 Plan"), a total of 3,600,000 shares of the Company were reserved for share incentive options to be granted at the discretion of the Company's board of directors to eligible optionees (the "Optionees"). As at April 30, 2004, from the total of 3,600,000 under the 2003 Plan, 1,466,166 had been exercised, 2,123,334 were outstanding, leaving 10,500 available to grant under the 2003 Plan.

The Company's board of directors have recommended that the number of shares reserved for issuance as share incentive options under the 2004 Plan be increased from the 2003 Plan by 4,866,166.

The number of shares reserved for issuance under the Plan requires shareholder and TSX-V approval. Shareholders will be asked to approve an ordinary resolution of disinterested shareholders that 7,000,000 shares be reserved for issuance to Optionees under the Plan.

*Eligible Optionees*

Under the policies of the TSX-V, to be eligible for the issuance of a stock option under the Plan an Optionee must either be a director, officer, employee, consultant or an employee of a company providing management or other services to the Company or to a 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 non-individual, the company must provide the TSX-V with an undertaking that it will not permit any transfer of its securities, nor issue further securities, to any other individual or entity as long as the incentive stock option remains in effect without the consent of the TSX-V.

*Material Terms of the Plan*

The following is a summary of the material terms of the Plan:

- (a) all options granted under the Plan are non-assignable, non-transferrable and, while the Company is a Tier 2 issuer, can be for a period of up to 5 years;
- (b) upon the Company obtaining Tier 1 status the options can be for a period of up to 10 years;
- (c) for stock options granted to employees or service providers (inclusive of management company employees), the Company must ensure that the proposed Optionee is a bona fide employee or service provider (inclusive of a management company employee), as the case may be, of the Company or of any of its subsidiaries;
- (d) if an Optionee ceases to be employed by the Company (other than as a result of termination with cause) or ceases to act as a director or officer of the Company or a subsidiary of the Company, any option held by such Optionee may be exercised within 90 days after the date such Optionee ceases to be employed as an officer or director or, as the case may be, or



within 30 days if the Optionee is engaged in investor relations activities and ceases to be employed to provide investor relations activities;

- (e) the minimum exercise price of an option granted under the Plan must not be less than the Discounted Market Price (as defined in the policies of TSX-V); and
- (f) no Optionee can be granted an option or options to purchase more than 5% of the outstanding listed shares of the Company in a one year period.

The Company will seek "disinterested" shareholders' approval (described below) because:

- (i) the number of options granted to Insiders of the Company may exceed 10% of the Company's outstanding listed shares; or
- (ii) the aggregate number of options granted to Insiders of the Company within a one year period may exceed 10% of the Company's outstanding listed shares; or
- (iii) the number of options granted to any one Insider and such Insider's associates within a one year period may exceed 5% of the Company's outstanding listed shares; or
- (iv) the Company may decrease the exercise price of options previously granted to Insiders.

*Disinterested Shareholder Approval*

For purposes of this resolution an aggregate of 1,585,537 shares held by persons who are both insiders (and their associates, as defined in the *Securities Act* (British Columbia)) and who are eligible to receive options under the plan, will not be voted at the Meeting. If this resolution does not pass by disinterested shareholder approval then a second vote will be held where insiders and their associates will be permitted to vote on the resolution and the plan may be adopted, however, the resolution will be permitted to include the terms set out in sub-paragraphs (i) to (iv) above.

"Insider" means a director or senior officer of the Company, a director or senior officer a company that is an insider or subsidiary of the Company, a person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the Company, or the Company itself if it holds any of its own securities.

"Disinterested Shareholder Approval" means the approval by a majority of the votes cast by all shareholders of the Company at the shareholders' meeting excluding votes attached to listed shares beneficially owned by "Insiders" of the Company (generally officers and directors) to whom the options have been granted under the Plan and Associates of those Insiders.

"Ordinary Resolution" is a resolution passed by the shareholders of a company at a general meeting by a simple majority of the votes cast in person or by proxy.

## **ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

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 June 1, 2004, 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.

As of May 31, 2004:

Location	Number of registered shareholders of record	Number of shares	Percentage of total shares
Canada	124	23,508,096	66.8%
United States	149	2,727,237	7.8%
Other	31	8,949,935	25.4%
	<b>304</b>	<b>35,185,268</b>	

As of June 1, 2004, the only registered holders of 5% or more of the current issued and outstanding common shares of Northern Dynasty are:

- Robert A. Dickinson (1,207,055 common shares plus options to purchase an additional 85,000 options), who is a director,
- Shambhala Gold Limited (6,839,445 common shares plus warrants to purchase an additional 6,944,445 common shares), 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.

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. The public is 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, 2002 or December 31, 2003 or in any pending transaction except as follows:

### **(a) Management Contracts**

The Company does not have full-time management or employees as these services are provided to the Company by Hunter Dickinson Inc. ("HDI") pursuant to a geological, corporate development,

---

administrative and management services agreement dated for reference December 31, 1996. HDI is a private company owned equally by nine publicly traded exploration companies (one of which is the Company) and is managed by persons, the majority of whom are also directors of the Company. HDI is one of the largest independent mining exploration groups in North America and as of December 31, 2003, employed or retained on a substantially full-time basis, 20 geoscientists, including six with advanced degrees (four Ph.D.'s and two M.Sc.'s), eight professional geologists, and four professional engineers (PEng.); three engineers (two mining engineers and one civil engineer, all with professional engineer designations); one biologist (MSc.), eight accountants (including four Chartered Accountants, one CMA and one CGA) and fifteen administrative and support personnel. It has supervised mineral exploration projects in Canada (British Columbia, Manitoba, Ontario, Québec, Yukon and Northwest Territories) and internationally in Brazil, Nevada, Mexico and South Africa. HDI allocates the cost of staff input into projects such as the Pebble project based on the time records of involved personnel. Costs of such personnel and third party contractors are billed to the participating public companies on a full cost recovery basis (inclusive of HDI staff costs and overhead) for amounts which are considered by the Company management to be at a cost that is competitive with arm's-length suppliers. The shares of HDI are owned by each of the participating public corporations (including the Company) for as long as HDI's services are being retained by such participating company, however a participant surrenders its single share of HDI at the time of termination of the standard form of services agreement. The agreement can be cancelled on 30 days' notice. The amounts billed by HDI for its services rendered and reimbursement of expenses were approximately \$1,257,404 in 2003 (2002 - \$1,227,425).

**(b) *Property Option Assignment***

HDGI 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 HDGI for Pebble expenditures. Hunter Dickinson Group Inc. (herein "HDGI") 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 HDGI's rights. HDGI has assigned prospect interests to both arm's length and non-arm's length companies. HDGI 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 HDGI, and HDGI has one independent director. The shares of HDGI are held by Messrs. R.A. Dickinson, R.W. Thiessen, J.R. Mason, D.J. Copeland, S.D. Cousens, R.G. Hunter, and D.S. Jennings, each of whom is a director of Northern Dynasty, except D.S. Jennings. HDGI is the corporate trustee of seven director family trusts to which such named directors and their family members are beneficiaries. Northern Dynasty received disinterested shareholder approval for the transaction at its June 28, 2002 annual shareholders meeting.

**(c) *Participation in Private Placements***

To the knowledge of management of the Company, no insider or nominee for election as a director of the Company had any interest in any material transaction during the year ended December 31, 2003, or has any interest in any material transaction in the current year other than as set out herein.

---

During the year ended December 31, 2003, directors and officers of the Company (including companies owned or controlled by such person) participated in the following private placements as follows:

<b>Date of placement</b>	<b>Description of placement</b>	<b>Directors and officer participation</b>
January 2003	1,300,000 flow-through units and 400,000 non flow-through units at \$0.50 each. Each flow-through unit was comprised of a flow-through common share and a two-year non-flow-through share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.60 until January 14, 2005. The non flow-through units were comprised of one common share and one two-year share purchase warrant with the same warrant terms.	Robert Dickinson (including private companies controlled by Mr. Dickinson) 400,000 units  Bruce Youngman 20,000 units
July 2003	6,944,445 units at a price of \$0.72 per unit. Each unit was comprised of one common share and one warrant exercisable to purchase an additional common share at a price of \$0.90 until June 12, 2004. All shares issued pursuant to the private placement financing and upon the exercise of the warrants have a hold period expiring July 31, 2004.	Shambhala Gold Limited, a wholly owned subsidiary of Galahad Gold plc, of which Ian Watson is Chairman and Managing Director - 6,839,445 units

**(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, 2003.

**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>		
2004 (to June 1, 2004)	11.54	4.13
2003	7.35	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

**OTC BULLETIN BOARD:**

Trading in United States Dollars

	High (\$)	Low (\$)
<b>Annual</b>		
2004 (to June 1, 2004)	9.00	2.90
2003	5.55	0.36
2002 (from July 29, 2002)	0.90	0.25

**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

**By Quarter**



- 51 -

**TSX VENTURE:**

NDM - Trading in Canadian Dollars

	High (\$)	Low (\$)
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	1.28	0.65
Third Quarter	3.25	1.15
Fourth Quarter	7.35	2.95
Calendar 2004		
First Quarter	11.54	5.62
Second Quarter (to June 1, 2004)	7.80	4.13
<b>Monthly</b>		
April 2004	7.80	5.50
March 2004	8.48	7.20
February 2004	9.50	6.85
January 2004	11.54	5.62
December 2003	5.80	4.50
November 2003	7.35	4.55
October 2003	5.60	2.95
September 2003	3.20	2.24

**OTC BULLETIN BOARD:**

Trading in United States Dollars

	High (\$)	Low (\$)
Calendar 2002		
Third Quarter (from July 20, 2002)	0.90	0.40
Fourth Quarter	0.60	0.25
Calendar 2003		
First Quarter	0.60	0.36
Second Quarter	0.99	0.47
Third Quarter	2.41	0.78
Fourth Quarter	5.55	2.21
Calendar 2004		
First Quarter	9.00	4.35
Second Quarter (to June 1, 2004)	5.94	2.90
<b>Monthly</b>		
April 2004	5.94	4.08
March 2004	6.30	5.40
February 2004	7.00	5.10
January 2004	9.00	4.35
December 2003	4.45	3.43
November 2003	5.55	3.41
October 2003	4.40	2.21
September 2003	2.41	1.64

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

**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 at





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**

Not required in an Annual Report.

**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 20-F as an exhibit. (See Item 19.)

***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 *Corporations Act* or its predecessor the British Columbia *Company Act*, 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 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 at such meeting.

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 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 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 are 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 June 1, 2004 are:

- (a) Amended Share Incentive Plan dated for reference June 28, 2002 (see Item 6E);
  - (b) HDGI 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 C\$192 million. A non-Canadian would acquire control of Northern Dynasty for the 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 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***

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.

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 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 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. Northern Dynasty appears to have been a PFIC for the fiscal year ended December 31, 2003, and at least certain prior fiscal years. In addition, Northern Dynasty expects to qualify as a PFIC for the fiscal year ending December 31, 2004 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 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.

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. 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 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 20-FA registration statements (as amended) and, if filed with such previous 20-FAs, 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 substantially all are denominated in Canadian and U.S. dollars. Northern Dynasty does not hedge this risk, which it does not consider material 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.

---

**(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 CONTROLS AND PROCEDURES**

As of June 1, 2004, an evaluation was carried out under the supervision of, and with the participation of the Corporation's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Act of 1934). Based on that evaluation the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective.

---

No changes were made in the Company's internal control over financial reporting that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting subsequent to the date of their evaluation.

## ITEM 16 AUDIT COMMITTEE, CODE OF ETHICS, ACCOUNTANT FEES, AND EXEMPTIONS

### A. Audit Committee Financial Expert

The designated Audit Committee "financial expert" is Mr. Ronald W. Thiessen, who is also the President and Chief Executive Officer of the Company. Accordingly, Mr. Thiessen is not "independent", as the term is defined by the American Stock Exchange which is a national securities exchange. Mr. Thiessen is a Chartered Accountant.

### B. Code of Ethics

The Company has adopted a code of ethics that applies to the Company's chief executive officer, the chief financial officer, and other members of senior management. The Code of Ethics is appended as an exhibit to this Form 20-F.

### C. Principal Accountant Fees and Services

The following table discloses the aggregate fees billed for each of the last two fiscal years for professional services rendered by the Company's audit firm for various services:

	Year ended December 31, 2003	Year ended December 31, 2002
<b>Services:</b>		
Audit services	\$ 8,500	\$ 8,500
Audit-related services	--	--
Tax services	1,000	1,000
All other services	--	2,900
	<b>\$ 9,500</b>	<b>\$ 12,400</b>

From time to time, management of the Company recommends to and requests approval from the audit committee for non-audit services to be provided by the Company's auditors. The audit committee routinely considers such requests at committee meetings, and if acceptable to a majority of the audit committee members, pre-approves such non-audit services by a resolution authorizing management to engage the Company's auditors for such non-audit services, with set maximum dollar amounts for each itemized service. During such deliberations, the audit committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the US Securities and Exchange Commission, and whether the services requested and the fees related to such services could impair the independence of the auditors.

As 2003 was the first year of the audit committee pre-approval process, only the audit and tax services rendered in the year ended December 31, 2003 were pre-approved by the audit committee.

**D. Exemptions from Listing Standards for Audit Committees**

Not applicable.

**E. Purchases Of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**PART III**

**ITEM 17 FINANCIAL STATEMENTS**

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

**Annual**

- (1) Auditors' Reports on the consolidated balance sheets as at December 31, 2003, and 2002, and the statements of operations and deficit, mineral property interests and changes in cash flows for each of the three years ended December 31, 2003, 2002 and 2001;
- (2) Balance sheets as at December 31, 2003, 2002 and 2001;
- (3) Statements of operations and deficit for each of the three years ended December 31, 2003, 2002 and 2001;
- (4) Statements of changes in cash flows for the periods referred to in (8) above;
- (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:**

	<b>Type of Document</b>	<b>Description</b>	<b>Pages</b>
1.	1	Certificate of Incorporation, Memorandum and Articles of Association of Northern Dynasty	1-54
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 reference December 31, 1996 between Northern Dynasty and Hunter Dickinson Inc. ("HDI") (See Item 7 "Interest of Management in Certain Transactions")	68-77
4.	4B(i) 4B(ii) 4B(iii)	HDGI Assignment Agreement with Hunter Dickinson Group Inc. ("HDGI") dated October 29, 2001 whereby Northern Dynasty obtained its option to the Pebble Property including the underlying Teck Cominco Options and Consent Agreement	78-99

**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)	100
6.	10	Consent of Auditors, DeVisser Gray, Chartered Accountants	101
7.	10	Consent of counsel, Lang Michener (1)	102
8.	10	Consent of geological expert, M.J. Casselman	103

**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.	104
----	----	---	-----

10.	10	Consent of Geological Expert, M.J. Casselman, April 24, 2002.	105
-----	----	---	-----

**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.	106
-----	----	---	-----

**The following exhibits were attached to the Annual Report on Form 20-F filed June 24, 2002:**

12.	10	Consent of Auditors, DeVisser Gray, Chartered Accountants dated June 24, 2002.	107
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 20-FA sections respecting which these experts were concerned (see Item 10G) and provided consents as part of the March 18, 2002 20-FA (first amendment) filing.

**The following exhibits are filed with this Annual Report on Form 20-F:**

14.	<u>10</u>	<u>Code of Ethics</u>	
15.	<u>12.1</u>	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
16.	<u>12.2</u>	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>	
17.	<u>13.1</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>	
18.	<u>99.1</u>	<u>Audited annual financial statements for the year ended December 31, 2003</u>	

**SIGNATURES**

Northern Dynasty certifies that it meets all of the requirements for filing Form 20-F and that it has duly caused and authorized the undersigned to sign this amended report on its behalf.

**NORTHERN DYNASTY MINERALS LTD.**

Per:

/s/ Ronald W. Thiessen  
RONALD W. THIESSEN  
President and Director

DATED: June 10, 2004

---