

NORTHERN DYNASTY MINERALS LTD
Form 20-F
May 02, 2016

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 20-F

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

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

For the fiscal year ended December 31, 2015

OR

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

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

For the transition period from _____ to _____

Commission file number **0-31224**

NORTHERN DYNASTY MINERALS LTD.

(Exact name of Registrant as specified in its charter)

BRITISH COLUMBIA, CANADA

(Jurisdiction of incorporation or organization)

**15th Floor, 1040 West Georgia Street
Vancouver, British Columbia, Canada, V6E 4H1**

(Address of principal executive offices)

**Marchand Snyman, Chief Financial Officer
Facsimile No.: 604-684-8092**

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15th Floor, 1040 West Georgia Street

Vancouver, British Columbia, Canada, V6E 4H1

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of Each Class: *Not applicable* Name of each exchange on which registered: *Not applicable*

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

Common shares with no par value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: *None*

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

221,939,376 common shares as of December 31, 2015

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the 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.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S.GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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GENERAL

In this Annual Report on Form 20-F, all references to "we", "Northern Dynasty" or the "Company" refer to Northern Dynasty Minerals Ltd.

The Company uses the Canadian Dollar as its reporting currency. All references in this document to "Dollars" or "\$" are expressed in Canadian Dollars ("CAD", "C\$"), unless otherwise indicated. See also [Item 3 Key Information](#) for more detailed currency and conversion information.

Except as noted, the information set forth in this Annual Report is as of April 29, 2016 and all information included in this document should only be considered correct as of such date.

GLOSSARY OF TERMS

Certain terms used herein are defined as follows:

Alkalic	Igneous rock containing a relatively high percentage of sodium and potassium feldspar; alteration can also introduce alkali minerals.
Argillic	Hydrothermal alteration of wall rock which forms clay minerals including kaolinite, smectite, illite and other species.
CuEQ	Copper Equivalent.
Comminution	Reduction of solid materials from one average particle size to a smaller average particle size by crushing, grinding, cutting, vibrating, or other means.
Deportment	Assessment of how minerals contribute to grade, as each mineral is likely to behave differently to comminution, flotation or leaching.
Diorite	Grey to dark-grey igneous intrusive rock of intermediate composition, composed principally of plagioclase feldspar along with biotite, hornblende and/or pyroxene.
Geometallurgy	Practice of combining geology and/or geostatistics with metallurgy.
Graben	Down-dropped block of land bordered by parallel faults.
Granodiorite	Medium- to coarse-grained acid igneous rock with quartz (>20%), plagioclase and alkali feldspar, commonly with minor hornblende and/or biotite.
HDGI	Is a reference to Hunter Dickinson Group Inc. (now renamed 3537137 Canada Inc.) which is the related party corporation which originally held the options to the Pebble Project, and which was acquired by the Company in fiscal 2006.
Hypogene	Processes below the earth's surface which, in mineral deposits, result in precipitation of primary minerals like sulphides.
Hydrothermal mineral deposit	Any concentration of metallic minerals formed by the precipitation of solids from hot waters (hydrothermal solution). The solutions may be sourced from a magma or from deeply circulating water heated by magma.

Intrusion	Medium to coarse grained igneous bodies which crystallized at depth within the
(batholith, dyke, pluton)	Earth's crust. Large intrusive bodies are called batholiths; smaller bodies are plutons and linear bodies are dykes.
Leached Cap	Rock which originally contained mineralization that was subsequently removed due to weathering processes.
Locked Cycle Test	A repetitive batch flotation test used in mineral processing laboratories while developing a metallurgical flowsheet.

Elements	Au - Gold; Ag - Silver; Al - Aluminum; Cu - Copper; Fe - Iron; Mo - Molybdenum; Na - Sodium; O - Oxygen; Pb - Lead; S - Sulphur; Zn - Zinc.
Monzonite	Igneous intrusive rock with approximately equal amounts of plagioclase and alkali feldspar, and less than 5% quartz by volume.
National Instrument 43-101 ("NI 43-101")	The Canadian securities rule which establishes disclosure standards for mineral projects of Canadian resource companies.
Kriging	A method of estimation of a variable value (such as metal grade) at an unmeasured location from measured values, weighted by distance and orientation, at nearby locations.
Porphyry deposit	A type of mineral deposit genetically related to igneous intrusions in which ore minerals are widely distributed, generally of low grade but commonly of large tonnage.
Potassic	Hydrothermal alteration which results in the production of potassium-bearing minerals such as biotite, muscovite or sericite, and/or orthoclase.
Pyrophyllite	Aluminosilicate hydroxide mineral that forms as a result of hydrothermal alteration or low grade metamorphism.
Sodic	In this report, refers to a type of hydrothermal alteration that contains sodium-bearing minerals, most commonly albite feldspar.
Subduction	Process by which one tectonic plate moves under another tectonic plate.
Supergene	Refers to processes which occur relatively near the surface of the earth which modify or destroy original (hypogene) minerals by oxidation and chemical weathering.
Superterrane	A group of physically connected and related geological terranes (group of related rock units).

CURRENCY AND MEASUREMENT

All currency amounts in this Annual Report are stated in Canadian Dollars unless otherwise indicated. Approximate conversion of metric units into imperial equivalents is as follows:

Metric Units	Multiply by	Imperial Units
hectares	2.471	= acres
meters	3.281	= feet
kilometers	3281	= feet
kilometers	0.621	= miles
grams	0.032	= ounces (troy)
tonnes	1.102	= tons (short) (2,000 pounds)
grams/tonne	0.029	= ounces (troy)/ton

RESOURCE CATEGORY (CLASSIFICATION) DEFINITIONS

The discussion of mineral deposit classifications in this Annual Report adheres to the mineral resource and mineral reserve definitions and classification criteria developed by the Canadian Institute of Mining ("CIM") 2014. Estimated mineral resources fall into two broad categories dependent on whether the economic viability of them has been established and these are namely "resources" (potential for economic viability) and "reserves" (viable economic production is feasible). Resources are sub-divided into categories depending on the confidence level of the estimate based on level of detail of sampling and geological understanding of the deposit. The categories, from lowest confidence to highest confidence, are inferred resource, indicated resource and measured resource. Reserves are similarly sub-divided by order of confidence into probable (lowest) and proven (highest). These classifications can be more particularly described as follows:

Mineral Resource	A concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.
Inferred Mineral Resource	That part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. It has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.
Indicated Mineral Resource	That part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. It has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.
Measured Mineral Resource	That part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. It has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

Mineral Reserve	The economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors, which are considerations used to convert Mineral Resources to Mineral Reserves and include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a Pre-Feasibility Study or Feasibility Study.
Probable Mineral Reserve	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.
Proven Mineral Reserve	The economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

CAUTIONARY NOTES TO UNITED STATES INVESTORS CONCERNING MINERAL RESERVE AND RESOURCE ESTIMATES

This Annual Report on Form 20-F uses terms that comply with reporting standards in Canada and certain estimates are made in accordance with the National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101"). NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all resource estimates contained in or incorporated by reference in this prospectus have been prepared in accordance with NI 43-101. These standards differ significantly from the requirements of the SEC, and resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by companies in the United States (US companies).

In addition, this Annual Report on Form 20-F uses the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" to comply with the reporting standards in Canada. We advise United States investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them. United States investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into mineral reserves. These terms have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility.

Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist. In accordance with Canadian rules, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in limited circumstances where permitted under NI 43-101.

It cannot be assumed that all or any part of "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" will ever be upgraded to a higher category. Investors are cautioned not to assume that any part of the reported "measured mineral resources", "indicated mineral resources", or "inferred mineral resources" in this prospectus is economically or legally mineable.

In addition, disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report mineralization as in place tonnage and grade without reference to unit measures.

FORWARD LOOKING STATEMENTS

The Annual Report on Form 20-F includes or incorporates by reference certain statements that constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995.

Forward-looking statements describe our future plans, strategies, expectations and objectives, and are generally, but not always, identifiable by use of the words may, will, should, continue, expect, anticipate, estimate, plan or project or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements contained or incorporated by reference into this Prospectus Supplement include, without limitation, statements regarding:

- the outcome of our multi-dimensional strategy to address the Environmental Protection Agency's pre-emptive regulatory process under Section 404(c) of the Clean Water Act and prepare the Pebble Project to initiate federal and state permitting under the National Environmental Policy Act ("Multi-Dimensional Strategy");

- the outcome of legal proceedings in which we are engaged;

- our expectations regarding the potential for permitting of a mine at the Pebble Project;

- our expected financial performance in future periods;

- our plan of operations, including our plans to carry out and finance the Multi-Dimensional Strategy activities, exploration and development activities and legal proceedings;

- our ability to raise capital to fund the Multi-Dimensional Strategy activities, exploration and development activities and operational costs;

- our expectations regarding the exploration and development potential of the Pebble Project; and

- factors relating to our investment decisions.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. We believe that the assumptions and expectations reflected in such forward-looking information are reasonable.

Key assumptions upon which the Company's forward-looking information are based include:

- that we will be able to secure sufficient capital necessary for the Multi-dimensional Strategy activities, litigation, continued environmental assessment and permitting activities and engineering work which must be completed prior to any potential development of the Pebble Project which would then require engineering and financing in order to advance to ultimate construction;

that the Company will ultimately be able to demonstrate that a mine at the Pebble Project can be developed and operated in an environmentally sound and socially responsible manner, meeting all relevant federal, state and local regulatory requirements so that we will be ultimately able to obtain permits authorizing construction of a mine at the Pebble Project;

that the market prices of copper, gold, molybdenum and silver will not further significantly decline or stay depressed for a lengthy period of time;

that key personnel will continue their employment with us; and

that we will continue to be able to secure minimal adequate financing on acceptable terms.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Forward looking statements are also subject to the Risk Factor facing the business, any of which could have a material impact on our outlook.

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

a negative outcome of the Multi-Dimensional Strategy, or other legal and political challenges with which we are engaged regarding the Pebble Project, which would have a material adverse effect on the Company;

an inability to obtain permitting for a mine at the Pebble Project;

an inability to continue to fund the exploration and development activities and other operating costs;

the highly cyclical nature of the mineral resource exploration business;

the pre-development stage economic and technical uncertainties of the Pebble Project and the lack of known reserves on the Pebble Project;

an inability to establish that the Pebble Project contains commercially viable deposits of ore;

an inability to recover the financial statement carrying values of the Pebble Project if the Company ceases to continue on a going concern basis;

the potential for loss of the services of key executive officers;

a history of, and expectation of further, financial losses from operations impacting our ability to continue on a going concern basis;

the volatility of copper, gold, molybdenum and silver prices and mining share prices;

the inherent risk involved in the exploration, development and production of minerals, and the presence of unknown geological and other physical and environmental hazards at the Pebble Project;

the potential for changes in, or the introduction of new, government regulations relating to mining, including laws and regulations relating to the protection of the environment and project legal titles;

potential claims by third parties to titles or rights involving the Pebble Project;

the possible inability to insure our operations against all risks;

the highly competitive nature of the mining business;

the potential equity dilution to current shareholders from future equity financings is currently uncertain; and

that we have never paid dividends and will not do so in the foreseeable future.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements or information. Forward-looking statements or information are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements or information due to a variety of risks, uncertainties and other factors, including, without limitation, the risks and uncertainties described above.

Our forward-looking statements and risk factors are based on the reasonable beliefs, expectations and opinions of management on the date of this Prospectus Supplement. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. We do not undertake to update any forward-looking information, except as, and to the extent required by, applicable securities laws.

STATUS AS AN EMERGING GROWTH COMPANY

The Company is an "emerging growth company" as defined in section 3(a) of the Exchange Act, and the Company will continue to qualify as an "emerging growth company" until the earliest of:

- (a) the last day of the fiscal year during which the Company has total annual gross revenues of US\$1,000,000,000 (as such amount is indexed for inflation every 5 years by the SEC) or more;
- (b) the last day of the Company's fiscal year following the fifth anniversary of the date of the first sale of common equity securities pursuant to an effective registration statement under the Securities Act;
- (c) the date on which the Company has, during the previous 3-year period, issued more than US\$1,000,000,000 in non-convertible debt; or
- (d) the date on which the Company is deemed to be a "large accelerated filer", as defined in Exchange Act Rule 12b-2.

Northern Dynasty expects to continue to be an emerging growth company until December 31, 2020.

Generally, a registrant that registers any class of its securities under section 12 of the Exchange Act is required to include in the second and all subsequent annual reports filed by it under the Exchange Act, a management report on internal control over financial reporting and, subject to an exemption available to registrants that are neither an "accelerated filer" or a "larger accelerated filer" (as those terms are defined in Exchange Act Rule 12b-2), an auditor attestation report on management's assessment of internal control over financial reporting. However, for so long as the Company continues to qualify as an emerging growth company, the Company will be exempt from the requirement to include an auditor attestation report in its annual reports filed under the Exchange Act, even if it were to qualify as an "accelerated filer" or a "larger accelerated filer". In addition, auditors of an emerging growth company are exempt from the rules of the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the registrant (auditor discussion and analysis).

The Company has irrevocably elected to comply with new or revised accounting standards even though it is an emerging growth company.

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable for an Annual Report.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable for an Annual Report.

ITEM 3 KEY INFORMATION**A. SELECTED FINANCIAL DATA**

The following tables summarize selected financial data for Northern Dynasty derived from the Company's financial statements, expressed in thousands of Canadian Dollars, and which have been prepared in accordance with and using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This selected financial data should be read in conjunction with the Company's audited financial statements for the fiscal years then ended.

Statements of Financial Position Data

(\$ 000 s)	2015	2014	2013	2012	2011
Mineral property, plant and equipment, net	\$ 147,088	\$ 123,608	\$ 108,050	\$ 1,055	\$ 1,055
Total assets	157,704	135,510	141,784	132,934	145,241
Total liabilities	2,724	7,547	7,856	4,041	3,885
Working capital	7,892	5,869	29,681	32,134	42,474
Share capital	435,069	389,227	389,227	389,189	388,987
Reserves	99,035	84,031	58,649	51,129	48,132
Accumulated deficit	(379,124)	(345,295)	(313,948)	(311,425)	(295,763)
Net assets	154,980	127,963	133,928	128,893	141,356
Shareholders' equity	154,980	127,963	133,928	128,893	141,356

Statements of Comprehensive Loss (Income) Data

(\$ 000 s, except per share amounts and number of shares)	2015	2014	2013	2012
Interest and other income	\$ (313)\$	(281)\$	(1,136)\$	(887)\$
Exploration expenditures	8,718	12,877	1,991	4,461
General and administrative expenses ⁽¹⁾⁽²⁾	8,272	9,059	5,970	6,525
Legal, accounting and audit ⁽¹⁾	17,001	8,325	275	255
Share-based payments	903	3,877	641	5,225
Other	762	(221)	(340)	83
Gain on discontinuance of equity method			(5,062)	
Deferred income tax	(1,514)	(2,289)	184	
Net loss for the year	33,829	31,347	2,523	15,662
Other comprehensive (income) loss	(23,187)	(9,953)	(6,887)	2,123
Total comprehensive loss (income)	10,642	21,394	(4,364)	17,785
Basic and diluted net loss per share	\$ 0.23	\$ 0.33	\$ 0.03	\$ 0.16
Weighted average number of common shares outstanding	146,313,397	95,009,864	95,007,374	94,995,127

Note

- Comparative information in the statement of loss and comprehensive loss has been reclassified to separately reflect legal, accounting and audit expenditures as a separate line item. This line item is predominantly comprised of legal costs incurred by the Group in response to the EPA's activities surrounding the Pebble Project. These expenditures were previously included under general and administrative expenditures.
- The breakdown of these costs are presented below. The latest three years are discussed under Item 5.

General and administrative expenses	2015	2014	2013	2012	2011
Conference and travel	\$ 369	\$ 323	\$ 340	\$ 566	\$ 525
Consulting	232	782	836	1,761	
Donations					866
Insurance	398	384	342	343	296
Office costs	1,188	1,964	670	702	980
Management and administration	5,009	4,610	2,572	2,095	2,334
Shareholder communication	759	772	983	830	517
Trust and filing	317	224	227	228	322
	8,272	9,059	5,970	6,525	5,840

Currency and Exchange Rates

On April 18, 2016, the rate of exchange of the Canadian Dollar, based on the daily noon rate in Canada as published by the Bank of Canada, was US\$1.00 = C\$1.2815. Exchange rates published by the Bank of Canada, available on its website www.bankofcanada.ca, are nominal quotations – not buying or selling rates – and are intended for statistical or analytical purposes.

The following tables set out the exchange rates, based on the daily noon rates in Canada as published by the Bank of Canada for the conversion of Canadian Dollars into U.S. Dollars.

	Year Ended December 31 (Canadian Dollars per U.S. Dollar)				
	2015	2014	2013	2012	2011
Rate at end of year	\$1.3840	\$1.1601	\$0.9402	\$1.0051	\$0.9833
Average rate for year	\$1.2787	\$1.1046	\$0.9711	\$1.0004	\$1.0110
High for year	\$1.3990	\$1.1656	\$1.0165	\$1.0299	\$1.0583
Low for year	\$1.1728	\$1.0639	\$0.9342	\$0.9599	\$0.9430

Monthly High and Low Exchange Rate (Canadian Dollar per U.S. Dollar)

Month or Period	High	Low
April 2016 (to April 18, 2016)	\$1.3170	\$1.2792
March 2016	\$1.3468	\$1.2962
February 2016	\$1.4040	\$1.3523
January 2016	\$1.4589	\$1.3969
December 2015	\$1.3990	\$1.3360
November 2015	\$1.3360	\$1.3095

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable for an Annual Report.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable for an Annual Report.

D. RISK FACTORS

The securities of Northern Dynasty are highly speculative and subject to a number of risks. A prospective investor or other person reviewing Northern Dynasty for a prospective investor should not consider an investment in Northern Dynasty unless the investor is capable of sustaining an economic loss of their entire investment. The risks associated with Northern Dynasty's business include:

Inability to Achieve Mine Permitting of the Pebble Project

The principal risk facing the Company is that it will be ultimately be unable to secure the necessary permits under United States Federal and Alaskan State laws to build a mine at Pebble. There are prominent and well organized opponents of the Pebble Project and the Company may be unable, despite developing solid scientific and technical evidence of risk mitigation, to overcome such opposition and convince mining regulatory authorities that a mine should be permitted at Pebble. If we are unable to secure the necessary permits to build a mine at the Pebble Project, we may be unable to achieve revenues from operations and/or recover our investment in the Pebble Project.

The Company will be required to seek additional capital; the Company's inability to obtain additional capital could have a material adverse effect on its operations

While the Company has prioritized the available resources in order to meet key corporate and Pebble Project expenditure requirements, the Company will seek to source significant additional financing. Such financing may include any of, or a combination of: debt, equity and/or contributions from possible new Pebble Project participants. In light of the recent significant depreciation of the Canadian dollar and that the vast majority of the Company's expenditures are in United States dollars, that the Pebble Project will require additional engineering and technical expenditures beyond what is contemplated in the current budget, and the possibility that expenditures to pursue the Company's Multi-Dimensional Strategy, including legal expenditures may exceed current budget expectations, it is possible that additional financing may well be required. There can be no assurances that the Company will be successful in obtaining any such additional financing. If the Company is unable to raise the necessary capital resources to meet obligations as they come due, the Company will at some point have to further reduce or curtail its operations.

Negative Operating Cash Flow

The Company currently has a negative operating cash flow and will continue to have that for the foreseeable future. Accordingly, the Company will require substantial additional capital in order to fund its future exploration and development activities. The Company does not have any arrangements in place for this funding and there is no assurance that such funding will be achieved when required. Any failure to obtain additional financing or failure to achieve profitability and positive operating cash flows will have a material adverse effect on its financial condition and results of operations.

The Company believes it is likely a "passive foreign investment company" which may have adverse U.S. federal income tax consequences for U.S. shareholders.

U.S. shareholders should be aware that the Company believes it was classified as a passive foreign investment company ("PFIC") during one or more previous tax years, and may be a PFIC in the current tax year and possibly in subsequent tax years. If the Company is a PFIC for any tax year during a U.S. shareholder's holding period, then such U.S. shareholder generally will be required to treat any gain realized upon a disposition of common shares, or any so-called "excess distribution" received on its common shares, as ordinary income, and to pay an interest charge on a portion of such gain or distributions, unless the shareholder makes a timely and effective "qualified electing fund" election or a "mark-to-market" election with respect to the common shares. A U.S. shareholder who makes a qualified electing fund election generally must report on a current basis its share of the Company's net capital gain and ordinary earnings for any tax year in which the Company is a PFIC, whether or not the Company distributes any amounts to its shareholders. A U.S. shareholder 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 basis therein. This paragraph is qualified in its entirety by the discussion below under the heading "Certain United States Federal Income Tax Considerations." Each U.S. shareholder should consult its own tax advisor regarding the PFIC rules and the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares.

The Pebble Project is Subject to Political and Environmental Regulatory Opposition

As is typical for a large scale mining project, the Pebble Project faces concerted opposition from many individuals and organizations who are motivated to preclude any possible mining in the Bristol Bay Watershed (“BBW”). The BBW is an important wildlife and salmon habitat area. The United States Environmental Protection Agency has gone so far as to suggest that it may preemptorily prevent the Pebble Project from proceeding even before a mine permitting application is filed. Accordingly one of the greatest risks to the Pebble Project is seen to be political/permitting risk which may ultimately preclude construction of a mine at Pebble.

In the event that we are unsuccessful in our litigation against the Environmental Protection Agency, or are otherwise unable to reach a settlement with the federal agency, we may never be able to proceed with permitting with respect to the Pebble Project.

The principal risk currently facing the Company is that we may be unable to settle our ongoing issues with the Environmental Protection Agency (the “EPA”) with respect to its regulatory action under Section 404(c) of the U.S. Clean Water Act. While we believe our position has merit, the proceedings have been lengthy and have required us to expend substantial funds and time. There can be no assurance that the funds allocated for combating the EPA action will be sufficient to bring our strategy to completion and we may be unable to raise additional funds, causing us to abandon our strategy. Further, even if we are able to raise sufficient funds to bring our strategy to completion, there is no assurance that we will ultimately be successful. In the event that we are unsuccessful, and the EPA’s regulatory action is upheld, we will be unable to proceed with permitting of the Pebble Project and the Company will be materially adversely affected.

Northern Dynasty will require additional funding to meet the development objectives of the Pebble Project.

Northern Dynasty will need to raise additional financing to achieve permitting and development of the Pebble Project. In addition, a positive production decision at the Pebble Project would require significant capital for project engineering and construction. Accordingly, the continuing development of the Pebble Project will depend upon Northern Dynasty’s ability to obtain financing through debt financing, equity financing, the joint venturing of the project, or other sources of financing. There can be no assurance that Northern Dynasty will be successful in obtaining the required financing, or that it will be able to raise the funds on terms that do not result in high levels of dilution to shareholders.

The Pebble Partnership’s mineral property interests do not contain any ore reserves or any known body of economic mineralization.

Although there are known bodies of mineralization on the Pebble Project, and the Pebble Partnership has completed core drilling programs within, and adjacent to, the deposits to determine measured and indicated resources, there are currently no known reserves or body of commercially viable ore and the Pebble Project must be considered an exploration prospect only. Extensive additional work is required before Northern Dynasty or the Pebble Partnership can ascertain if any mineralization may be economic and hence constitute “ore”.

Mineral Resources disclosed by Northern Dynasty or the Pebble Partnership for the Pebble Project are estimates only.

Northern Dynasty has included mineral resource estimates that have been made in accordance with National Instrument 43-101. These resource estimates are classified as "measured resources", "indicated resources" and "inferred resources". Northern Dynasty advises investors that while these terms are mandated by Canadian securities administrators, the U.S. Securities and Exchange Commission does not recognize these terms. Investors are cautioned not to assume that any part or all of mineral deposits classified as "measured resources" or "indicated resources" will ever be converted into ore reserves. Further, "inferred resources" have a great amount of uncertainty as to their existence, and economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or prefeasibility studies, except in rare cases. Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.

All amounts of mineral resources are estimates only, and Northern Dynasty cannot be certain that any specified level of recovery of metals from the mineralized material will in fact be realized or that the Pebble Project or any other identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body that can be economically exploited. Mineralized material which is not mineral reserves does not have demonstrated economic viability. In addition, the quantity of mineral reserves and mineral resources may vary depending on, among other things, metal prices and actual results of mining. There can be no assurance that any future economic or technical assessments undertaken by the Company with respect to the Pebble Project will demonstrate positive economics or feasibility.

Northern Dynasty has no history of earnings and no foreseeable earnings, and may never achieve profitability or pay dividends.

Northern Dynasty has only had losses since inception and there can be no assurance that Northern Dynasty will ever be profitable. Northern Dynasty has paid no dividends on its shares since incorporation. Northern Dynasty presently has no ability to generate earnings as its mineral properties are in the pre-development stage.

Northern Dynasty may not be able to continue as a going concern.

Northern Dynasty's consolidated financial statements have been prepared on the basis that Northern Dynasty will continue as a going concern. At December 31, 2015, Northern Dynasty had working capital of approximately \$7.9 million. Northern Dynasty has prioritized the allocation of available financial resources in order to meet key corporate and Pebble Project expenditure requirements in the near term. Additional financing will be required for continued corporate expenditures and expenditures at the Pebble Project. Northern Dynasty's continuing operations and the underlying value and recoverability of the amounts shown for mineral property interest are entirely dependent upon the existence of economically recoverable mineral reserves at the Pebble Project, the ability of the Company to finance its operating costs, the completion of the exploration and development of the Pebble Project, the Pebble Partnership obtaining the necessary permits to mine, and on future profitable production at the Pebble Project. Furthermore, failure to continue as a going concern would require that Northern Dynasty's assets and liabilities be restated on a liquidation basis, which would likely differ significantly from their going concern assumption carrying values.

As the Pebble Project is Northern Dynasty's principal mineral property interest, the failure to establish that the Pebble Project possesses commercially viable and legally mineable deposits of ore may cause a significant decline in the trading price of Northern Dynasty's common shares and reduce its ability to obtain new financing.

The Pebble Project is, through the Pebble Partnership, Northern Dynasty's principal mineral property interest. Northern Dynasty's principal business objective is to carry out further exploration and related activities to establish whether the Pebble Project possesses commercially viable deposits of ore. If Northern Dynasty is not successful in its plan of operations, Northern Dynasty may have to seek a new mineral property to explore or acquire an interest in a new mineral property or project. Northern Dynasty anticipates that such an outcome would possibly result in further declines in the trading price of Northern Dynasty's common shares. Furthermore, Northern Dynasty anticipates that its ability to raise additional financing to fund exploration of a new property or the acquisition of a new property or project would be impaired as a result of the failure to establish commercial viability of the Pebble Project.

If prices for copper, gold, molybdenum and silver decline, Northern Dynasty may not be able to raise the additional financing required to fund expenditures for the Pebble Project.