DR. KALLIWODA | INTERNATIONAL

29th July 2007

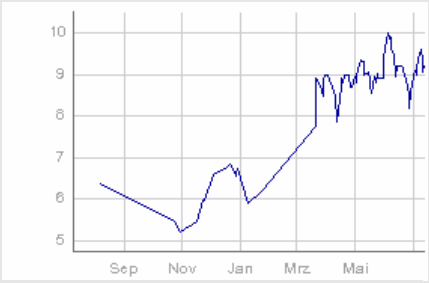
COMPANY ANALYSIS

Initiating Coverage

Northern Dynasty Minerals Ltd.

Sector:
Raw materials/Precious metals

Index: AMEX, TSX Venture Vancouver



Source: Deutsche Börse

EVENT: Initial Rating

(good credit rating – medium risk) **Rating (new):** **BUY**

Last Price: **9.40 EURO** **Fair Value (new)** **21.60 EURO**

Alaska-Project with high substantial value

- **Rio Tinto holds 19.8%**
- **DCF-Model and In-situ-valuation show upside potential**
- **High demand for copper in industrial sectors**

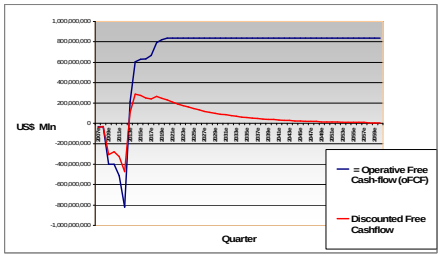
SWOT

- \+ Very large resources of copper,
- \+ and molybdenum resource
- \+ Large scale bulk mining
- \+ successful management
- \+ strong cash position
- \+ politically stable location
- \+ JV-potential with majors
- \- large investments for infra-structure and power supply.

COMPANY DESCRIPTION

Northern Dynasty is developing one of the largest copper, gold and molybdenum resources in the world and expects to be producing over 700 million pounds of copper and over 500,000 ounces of gold annually. The project is situated in a logistically advantageous location in the southwest of Alaska, near the town of Illiamna. Northern Dynasty has an experienced management.

HISTORY & ESTIMATES



Northern Dynasty Minerals					
Figures in US$	**2007e**	**2010e**	**2013e**	**2016e**	**2020e**
EPS	-0.23	-2.42	0.59	1.74	2.25
Revenues	0.0	0.0	577,000,000.0	1,275,800,000.00	1,415,000,000.0
net Income (adj.)	-50,046,304.3	-575,224,804.3	221,686,712.0	648,737,043.5	841,727,043.5
EBITDA-Margin (%)	-47,389,855,072.46	-547,559,855.07	57.6%	74.2%	85.9%
Net Margin (%)	-50.0	-575.2	38.4%	50.8%	59.5%
Free Cash Flow	-32,506,398.6	-402,657,363.0	211,284,447.5	634,407,768.1	833,897,768.1
P/E	-17.3	-1.5	3.9	1.3	1.0

Price (curr)	9.40	Shares out (mln)	91,890,519
52W high	10.00	6M Avrg Vol (mln/US$)	1
52W low	5.3	Free Float (in %)	54.50 %
Market Cap (mln)	863,770,879	WACC	9.67%
Last Dividend	0.00	CuEQ2	124.00
Accounting	GAP	TSX Venture	NDM
Web Page	northerndynastyminerals.com	AMEX	NAK

Source: DR.KALLIWODA | INTERNATIONAL © 2007

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See also Kalliwoda Recommendations on Terminal: Bloomberg, Reuters, Thomson Financials, JCF Factset

Contents

1 Investment case/Summary

Copper mines Pebble West 1.2 billion tonnes & Pebble East 3.4 billion tonnes

Given the current market capitalization of 1.3 billion USD, Northern Dynasty Minerals (TSX.V: NDM) appears undervalued compared to other enterprises at a similar stage of development. The company owns one of the world's most important copper, gold and molybdenum resources and has approx. 54 million USD in liquid cash. The company is developing the Pebble Project in resource-rich Alaska, USA. The project comprises an underground inferred resource of 3.4 billion tonnes at 0.6% CuEQ cut off at Pebble East and an adjacent 1.2 billion tonnes of measured and indicated resource at 0.6% CuEQ cut-off at Pebble West. The resource at Pebble West is near to surface and expected to be mining through open pit mining methods.

Rio Tinto holds a 19.8% stake

The Pebble project holds huge amounts of copper, gold and molybdenum mineralization and is in optimal location in terms of geographic and logistic aspects in south western Alaska, USA. This motivated Rio Tinto (market capitalization about 24 billion EUR, result in 2006 billion 6.6 EUR) to acquire a 19.8% stake in Northern Dynasty Minerals. According to mineral resources estimates in 2006, the inferred mineral resources of Pebble East increased within one year by almost 90%, from 1.8 billion to 3.4 billion tonnes. In addition to Pebble East the adjacent Pebble West deposit contains a total of 4.1 billion tonnes of resources (in all categories). At a 0.6% CuEQ cut off grade, the new estimate of derived mineral resource contain more than 21.8 million tonnes of copper, 1,500 tonnes of gold and l.4 million tonnes of molybdenum.

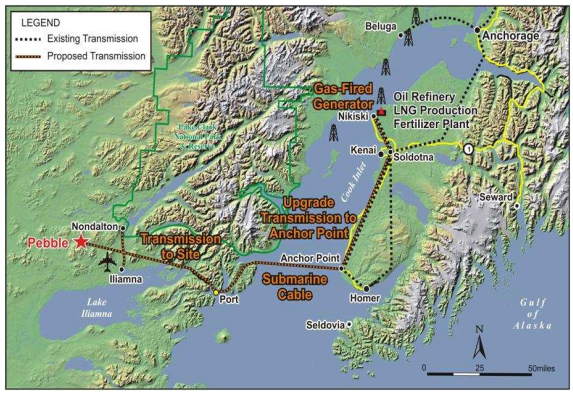
Low production costs

Northern Dynasty has the advantage that its resources at Pebble West are near to surface, open pittable, and contain a 600 million tonnes high-grade potion which provides the potential for a fast payback of capital cost. Pebble East will be developed sub-surface using block caving. This mining method is used extensively around the world, including a number of projects owned by Rio Tinto or operated by them in joint ventures. According to independent and reliable mining engineers, Pebble West has the potential to become a low cost, long-life modern mine operation.

Advantageous location and large scale production potential draw attention

The combined resources of Pebble West and East represent one of the largest accumulation of copper, gold and molybdenum metals in the world. The company has entered into several confidentiality agreements with major mining companies and smelter groups to permit detailed due diligence on the Pebble. Considering this and the previous investment by Rio Tinto, we expect a development consortium will be formed to advance the project. It is important to note that Rio Tinto did not receive special privileges for their investment into Northern Dynasty Minerals. The locations of the Pebble Project in south western Alaska provide strategically advantageous conditions for the project. While the State mine permitting procedures are stringent, they are reliable, transparent and

regulated by law. Additionally, the Pebble project is located rather well in terms of access to power supply and access to suitable seaport.
These requirements and necessary detailed engineering work has been outlined in a pre-feasibility study. Below are maps showing the location of the project:



Experienced Management responsible for 1.8 billion EUR

Northern Dynasty Minerals is part of the Hunter Dickinson group of companies. Hunter Dickinson Inc. (HDI) currently provides services to nine (9), legally independent and publicly trading mineral resource development and operating companies (combined market capitalization 1.8 billion EUR as per July 2007). Management has a long standing successful track record of increasing share value.

2. Company profile

Northern Dynasty Minerals Ltd. is developing the Pebble Project in Alaska, USA. Its mineral resources contain one of the world's most important accumulations of copper, gold and molybdenum metals.

Geologically, the Pebble property hosts porphyry copper deposits, which is a common type for the occurrence of copper. Current processing studies for the project show that there will be relatively high recoveries of copper and gold extracted from the minerals in the deposit. This is one of the main criteria for the economic value of such resources.

In 2001, Northern Dynasty acquired the project from the Canadian company Cominco (Teck Cominco). The price of copper was at 0.65 USD per pound at that time compared to today's 3.5 USD per pound.

Northern Dynasty has invested 135 million USD in geologic and geo-technical as well as environmental and socio-economic studies. Overall spending of 95 million USD is planned for 2007.

Pebble project fulfills relevant success criteria

- Advantageous location
- Transparent permitting procedures 1*)
- Efficient project management due to 100% ownership
- Flat terrain, only 400 meters above sea level
- Large production volume through 2070
- Quick payback of capital cost
- Pebble West suitable for open pit mining
- Joint-Venture-Candidate Rio Tinto holds stake of 19.8%

The Pebble project is located 120 km from Cook Inlet. Project management and Northern Dynasty's heliport is advantageously located in Illiamna. Northern Dynasty has good access to Alaskan workforce and internationally experienced engineers, geologists and environmental specialists.
Currently, there are some 100 people employed at the site, including geologists, drillers, technicians and support staff. Most are Alaskan and many are from the local communities.

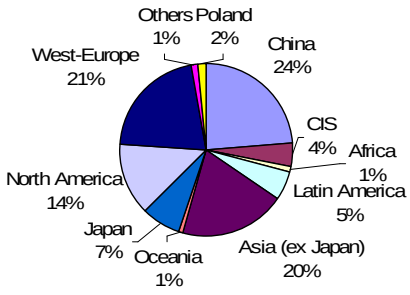
3 Macro economic indicators: International demand for copper

High demand for copper

In the past several years new copper mining projects have not kept up with the rising demand for copper. Particularly between 2012 and 2015 - around the anticipated time of the initial production at Pebble, there is expected to be more demand than supply according to several experts.

Below are charts that show the expected rise in copper consumption amounting to 18.2 million in 2007 spread over countries compared to future consumption of app. 26.7 million tonnes in 2018.

Demand for copper in industrial nations (2007)

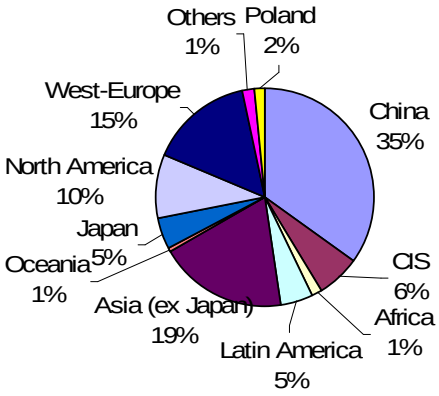


Source: Brook Hunt, 2007.

[1] Alaska is politically stable and its government has already approved several mining projects, e.g. Red Dog mines the world´s largest zinc mine.

The greatest increase in consumption is expected in China, rising from

Estimated demand for copper in industrial nations (2018)



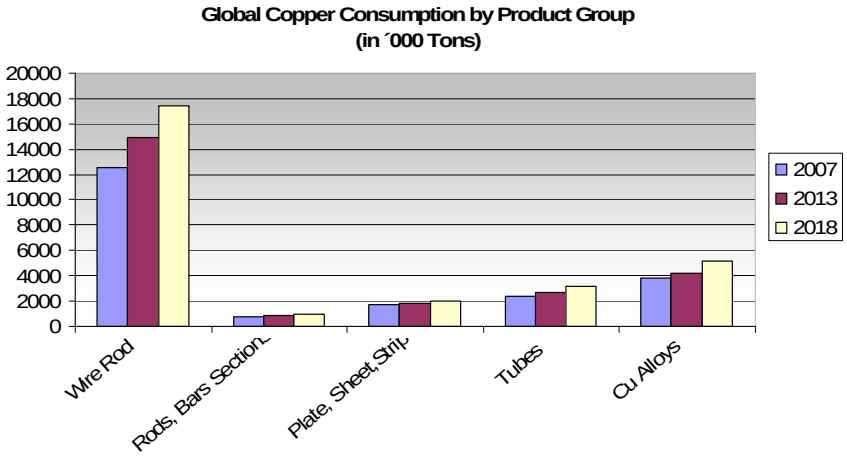
23.5% (4.3 million tonnes) of global demand to 35% (9.36 million tonnes) in 2018. Overall Asia (ex-China) will have the greatest increase in demand for copper, rising from 3.62 million tonnes in 2007 (19.9%) to 5.05 million tonnes in 2018 (18.9%).

3.1 Consumers of copper

Highest demand for wire rod, tubes and plates

Other than silver, copper has the best electronic conductor functions among all metals. This is why a significant share of copper production is demanded by the electronics industry. In 2006 some 53% of overall copper production was used for copper cables. Among copper products and copper enriched products are copper wires, foils, contact boards, and pipes. Worldwide demand for these products rose 5.5% in 2006 to 10.7 million tonnes. Primarily, the economic growth of the biggest consumers in industrialized countries is responsible for this increase. In the current year 2007 we expect another increase between 2.5% and 2.8%. Research institutes expect an annual average increase until 2018 of about 2.5%. China's great demand and the demand in developed industrial countries with export markets are major factors for the stable demand for copper products. The chart below shows global copper consumption across product groups with estimates until 2018.

Estimated demand for copper based on product groups



Source: Interview with Rio Tinto, on 12th July 2007 and Brook Hunt, Copper Report Q1/2007

Range of applications

Generally: these raw materials products (cable and copper products) are being used in these industrial sectors:

- building and infrastructure
- electronics and electronic products (semi-conductors, computer, controls, embedded computers)
- transport and logistics, equipment
- consumer products (durable goods, entertainment etc.)

Utilization of ecological potentials by copper

The building and infrastructure sector uses about 35% of global copper production. Most of it goes towards wires and copper products for the building industry. These are cables and power cables, pipes for heating and water, air conditioning, copper covers for housing fronts and roofing. Some 40% of copper production was used by the building industry in 2006. According to Brook Hunt (2007/Q 1), this represents a rise of 3.1 % from 2005 to app. 4 million tonnes.

The second most important product group is copper pipes that are being used for heating systems and air conditioners. Even in developed industrialized countries, demand for better living comfort rose even more, with the consequence that, for example, air conditioners and bathroom outfits will be upgraded. Laws introduced in the US (SEER 13, Seasonal Energy Efficiency Ratio) had the effect that demand for copper related to the use of air conditioners rose by 20%.

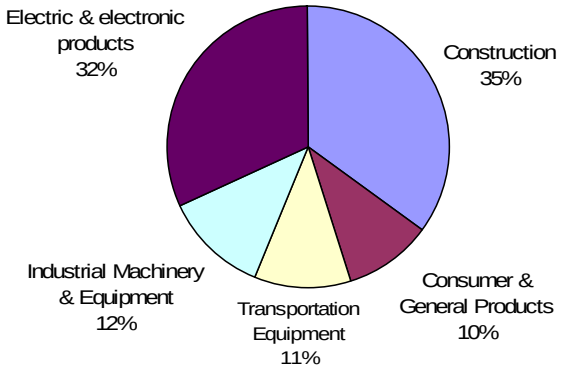
Additionally, the market is driven by socio-economic forces such as the debate about climate control and legal requirements for efficient air conditioners for an environmentally conscious use of energy. Gas pipes made of steel could be replaced by copper piping. It is expected that environmentally friendly motors for automobiles will predominantly be made of copper.

Research institutes estimate that, in the time between 2007 and 2018, there will be an average annual increase of 3.2% for the use of additional electronic circuits and integrated motherboards.

In China and India, it is expected that infrastructure will be continuously improving and that there will be more demand for air conditioners and sanitary installations.

The market particularly registers a rising demand from China and India

The following chart shows global copper consumption for industrial sectors:



Source: Dr. Kalliwoda International, Brook Hunt 2007.

Current global copper production cannot meet future demand as shown by macro-economic studies.

Our research, as well as studies by Brook Hunt, show that a gap in supply of 5% can be expected in 2009 that will increase to almost 30% by 2016. Supply shortages have already surfaced in 2002 and have since led to historic lows in copper reserves (e.g. London Metal Exchange, LME), and are responsible for the high price of copper.

We expect that some of the existing copper mines will expand production in the near and mid-term as their reserves permit (Brownfield Projects). Accordingly, there is a planned expansion of the Chilean copper mine, Escondida SxEW which will increase its annual production gradually to 330,000 tonnes and subsequently decrease back down to 200,000 tonnes by 2020.[2]

Covering of the demand overhang after copper by intensified exploration measures and increase of the recycling ratio

More important are new exploration projects (Greenfield-Projects) although they will not be sufficient to cover the increasing demand for copper. Northern Dynasty holds one of the world's most important development projects at Pebble and could be in production by 2013.

There are copper projects of similar size to Pebble. For example, Ivanhoe Mines with Oyu Tolgoi in Mongolia and CVRD's Alemao copper project in Brazil.

We differentiate between highly probable, probable and possible projects.

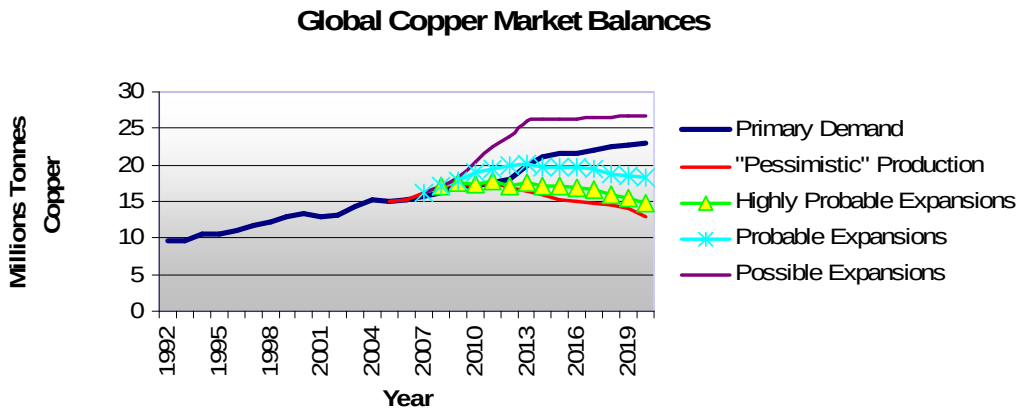
For highly probable projects financing and technical aspects have be confirmed. Highly probable projects are shown in the graph below as the minimum worldwide production through 2020 (pessimistic production):

[2] Brook Hunt, 2007 and Metals Economics Group (2007), who describe the base-metal-cycles. There is increasing M&A activity by major mining companies. But it is becoming more and more complicated to find projects with high margins.

A group of probable projects is presented in the graph below in light blue. These are projects of well-known mining companies or project companies. These projects have typically at least completed pre-feasibility level studies and development work. Possible projects have rarely been initiated by major producers but more likely by smaller exploration and development companies. Project development is at rather early stage and financing with banks are not secured for these projects nor has feasibility level work been completed. Therefore there is some considerable risk involved.

Scenarios, which affect the copper imbalance

The chart below also shows the global cumulative imbalance of current supply and demand for copper. The chart shows that the minimum recovery (seen in the red line) will meet worldwide demand for copper until 2010. In subsequent years, however, demand will outpace supply. Assuming the highly probable amount of copper production (seen in the blue line), there will be a gap in the supply (compared to the deep blue curve) beginning in the year 2015. After that there will be a more extreme trend that sets supply and demand apart. In 2020, there will certainly be an annual undersupply in an amount of l0 million tonnes of copper (per year). Other issues causing production deficits include strikes such as those seen at the currently largest copper mine Grasberg in Indonesia.



Source: Dr. Kalliwoda International; and demand study by the London Metal Exchange as weIl as Brook Hunt, 2007 (Ql Report).

Considering that the mines of the world's leading copper and gold producers have limited reserves and that these will continue to deplete until 2010, we believe that the planned start of production at Pebble is rather opportune. Hence, Pebble could become a rather interesting joint venture target for major mining companies.

Market data to some selected copper producers

Rating the economics of the project is to be seen in relation to the cost of production as weIl as the price for copper driven by supply and demand.

The following charts show stock market data and stock ownership of copper exploration and production enterprises and include our estimates for amounts of recovery on an annual basis unti1 2025. We assume an economic cycle that has historically been typical for the mining industry.

Company	Copper mine	Location	Major shareholder	Quote	Marketcap mio USD	No. Shares in Mio.	Share price USD
Ivanhoe Mines	Oyu Tolgoi	Singapur	Rio Tinto	US$ 303 Mio until US$ 1.5 Billion **1)**	5,766.90	374.47	15.40
Northern Dynasty	Pebble	Vancouver	Rio Tinto	19.80%	1,197.27	91.70	13.06
Kennecott	Bingham Canyon	Magna, Utha, US	Rio Tinto	100%	39,881.21	456.77	87.31
Esteio	Salobo I	Curitiba /Brasilien	Cia Vale Do Rio Doce		60,787.90	1,499.90	40.53
Nicico Expansion	Sarcheshmeh Expansion	Iran	Staat Iran		Staatlich		
Nicico (Originär)	Sarcheshmeh originär	Iran	Staat Iran		Staatlich		
Minera Escondida	Escondida	Santiago, Chile	BHP Billiton **3)**	100%	293,474.20	9,013.78	32.56
Freeport-McMoRan (FCX) **2)**	PT Freeport Indonesia	Phönix/Arizona	Rio Tinto **4)**		33,724.97	381.46	88.41

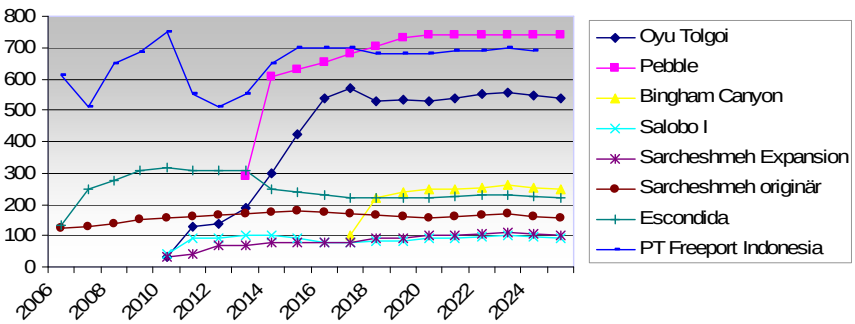
1) Based on exchange definition
2) Biggest listed copper producer
(Takeover of Phelps Dodge)
3) BHP Billiton is principal, owner and operator
1.2 billion tons of sulfide
4) Rio Tinto Grasberg Joint Venture

Source: Dr. Kalliwoda International © 2007

Emerging producers are therefore especially vulnerable during the startup of their production.

The largest copper producers based on market capitalization

The graph shows a bandwidth of copper production projects (in kt Cu) already underway at copper mines as well as the expected future output per year. PT Freeport is currently the largest copper producer. The enterprise Freeport is one of the largest listed specialized copper producers with a market capitalization of currently USD 33.7 billion. Escondida is a BHP-Billiton-subsidiary (100%) and located similarly to many other major porphyry copper projects on the “Ring of Fire”, in this case in Chile. Here the copper content equates to 30 CuEQ[2].



The Oyu Tolgoi mine of the Ivanhoe Mines

Iranian producer Nicio operates the mine Sar Cheshmeh (originally) and is expanding at this time. We expect the start of recovery of Sarcheshmeh Expansion in 2010.

The Oyu Tolgoi project is held by Ivanhoe Mines. Their market capitalization is currently USD 5.8pn. Expected start of recovery is in 2010 (see chart). This project is a good comparison to Pebble and Northern Dynasty. There are similar results in studies undertaken on both projects. However, Oyu Tolgoi is expected to begin production 3 years ahead of the Pebble mine in Alaska. We expect Oyu Tolgoi to have better output per year than Pebble. Expected returns and profit and losses to be similar between both companies. We arrive at a fair value for Northern Dynasty (Pebble) of USD 2.6 billion meanwhile the current stock exchange fair value is at USD 1.3 billion. Similar comparative results

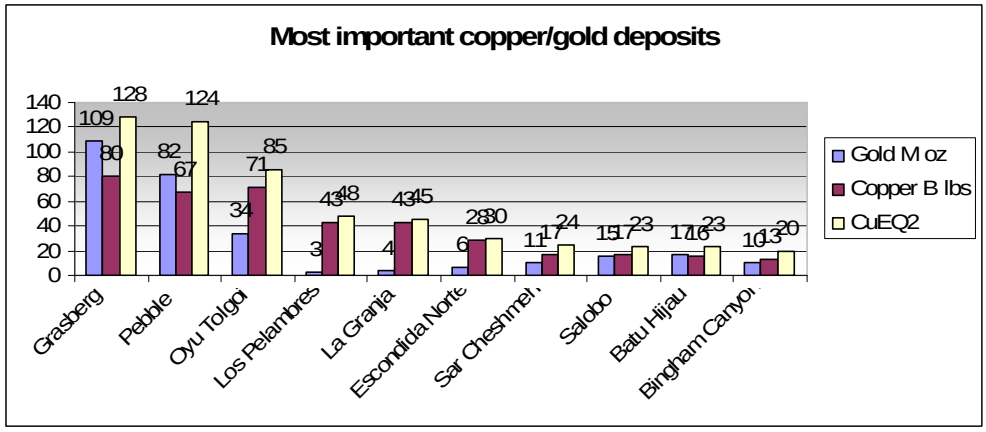
Selected market data of themost important mine operators

were derived from an in-situ valuation. We conclude that the Project Pebble is undervalued compared to Oyu Tolgoi.

In addition Oyo Tolgoi has a rather disadvantageous location in terms of insfrastructure, since Mongolia is land-locked without deep sea ports and there is therefore only China as a possible customer for the Oyu Tolgoi concentrate. Additionally, Oyu Tolgoi is located in a country with rather low political stability whereas Pebble is in the United States - a country with high political stability.

Selected market data of themost important mine operators

The Brasilian Salobo project is also part of CVRD. It is a smaller mine (see our output expectation) and copper intensity (copper equivalent gold and copper content) is at 23 $CuEQ^2$ compared to 124 $CuEQ^2$ at Pebble.[3] Oyu Tolgoi has more than $CuEQ^2$ of 85 and Sar Cheshmch of 24 $CuEQ^2$: Bingham Canyon of 20 $CuEQ^2$. Bingham Canyon (owned by Kennecott, a 100% owned subsidiary of Rio Tinto. Our selected peer group includes companies at different stages of development. Under-supply to demand is expected beginning 2015 since mines require rather long planning phases



prior to the start of production. The gap in supply is one of the side-effects of low investment at times when the prices for metals were very low and the resulting capitalization of mining enterprises were rather weak.

Taking advantage of the copper development : BHP, Rio Tinto, Freeport and Xstrata

Winners from this phase (particularly the 1990s and early 2000) are the major mining companies such as BHP Billiton, Rio Tinto, Freeport and Xstrata and development groups such as Hunter Dickinson Inc. which have secured ownership or access to promising projects through Joint Ventures or acquisitions. We believe that this is a sensible strategy for

[3] Definition: Copper-equivalent ($CuEQ^2$). The values for copper equivalents (CuEQ) became estimated on the basis of long-term metal prices, among other things: Copper US$ 1.00 per lb (Pound), molybdenum US$ 6.00 per lb, gold US$ 400 per ounce and silver US$ 7.50 per ounce. Adjustments for the consideration of deviations of the relative metallurgical content from gold, copper and molybdenum depend on the conclusion of the respective final metallurgical investigations. The copper equivalent ($CuEQ^2$) corresponds to a proportional copper portion plus a proportional molybdenum portion times (6,00/1,00) plus outer gram per ton times 14.47/(1.00 (x) 22.05) plus AG gram per ton times 0.24/(1.00 (x) 22.05).

these major producers since it is increasingly challenging to secure additional reserves. This way the major producers can focus on production of metals while smaller exploration and development companies focus on identifying and advancing suitable projects. Promising projects either get acquired by major mining companies or they participate in a project through a joint venture structure.

Conservatively we could project Pebble to become a medium sized producer. However, additional earnings from residual products of gold and molybdenum result in Pebble returns being above average since these lower production costs to about USD 0.3 per pound of copper. We studied this aspect compared to other companies. See therefore following charts.
It becomes clear from our analysis that the consolidation processes in the copper mining industry are ongoing. Northern Dynasty has been successful advancing all aspects of the project and it is to be expected that large joint venture prospects will increasingly court Northern Dynasty to get an interest in Pebble. Rio Tinto already holds a stake worth 19.8% stake in Northern Dynasty.

Pebble Project is a copper, gold and molybdenum resource.[4] Thus we included mines in the peer group that also show gold resources (chart shows $CuEQ^2$ values).[5]

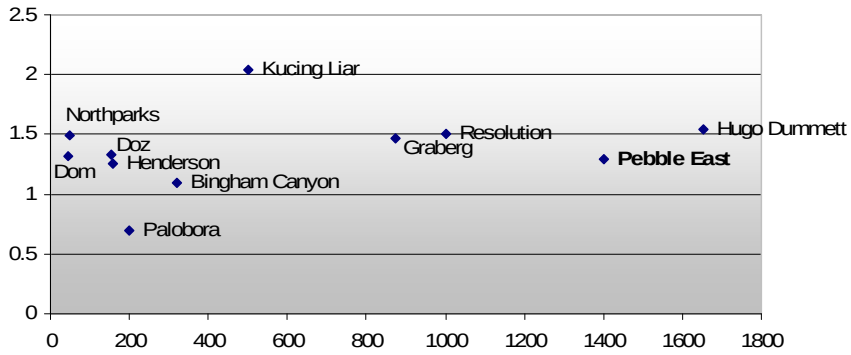
Peer group

The Grasberg mine is one of the largest gold producers and as a copper mine has the world's lowest cost of production for copper according to insiders. It is located in West-Papua of Indonesia and is one of the main resources held by Freeport-McMoRan. The chart below also shows Oyu Tolgoi, Escondida Norte, Sarchesmeh, Salobo and Bingham Canyon that are discussed in more detail in the peer-group study above. Newly added are Los Pelambres, La Granja and Batu Hijau.

Companies using block cave activity

The following chart shows an additional perspective on the peer group. These are companies that mine ore resources for copper using blockcaving mining methods.
Block cave mining has been applied by copper and diamond producers. It is a specialized and large-volume method for extracting large volumes of resources and it involves less drilling and more explosion and effective use of gravity. Another advantage of this method is the application of automated mining technology. According to initial studies, the Pebble East resource appears to be amenable to block cave mining. The chart below shows similar projects with block mining.

[4] With the projects Pebble, Los Pelambres and Bingham Canyon were considered molybdenum occurrences in the $CuEQ^2$ B lbs value.
5 The copper equivalent calculations are based on metal prices of US$ 1 /lb copper; US$ 400/oz gold; US$ 6 /lb molybdenum.



Strongly risen exploration costs coin the current financials

Pebble East holds about 1,400 million tonnes of resources that have a copper equivalent value of 1.25. Only Hugo Dummett has better cumulate data for the Block-Cave-Project of the Ivanhoe Mines (Oyu Tolgoi).

4. Northern Dynasty Financials:
4.1 Fiscal Year 2007

For fiscal 2007 we expect Northern Dynasty to show a loss of USD 46.9 million. Included in this loss is an estimated no cash compensation using stock options valued at USD 5.2 million.

Excluding stock-based compensation, currency losses, interest payments and taxes, we estimate expenses to average USD 53 million.

We expect project expenses to amount to USD 48.7 million, primarily including environmental, technical planning, and terrain preparation and drilling, helicopter transportation as well as fees for engineering and socio-economic consulting services.

The development of project costs in the time comparison

Compared to 2006 the increasing expenses of explorations are seen as a consequence of excellerating the programs towards the completion of an integrated development plan for Pebble East and West. Goals set for these programs include further verification of the inferred resources which are in part to be upgraded to a measured and indicated level of confidence.
Other exploration costs include environmental, socioeconomic and engineering studies for the integrated development plan (Pebble East and Pebble West) in order to be certain about plausibility of the project (feasibility study) as well as to obtain permits for the project.

4.2 Working Capital and liquidity

Northern Dynasty shows a working capital of USD 76.8 million in Q1/2007 compared to USD 90.3 million in Q4/2006. The reduction of available working capital is primarily due to the expenses for engineering,

drilling and environmental and socioeconomic advancement of the project in Q1/2007. Northern Dynasty has no long-term debt.
The following charts show the cost of the project for various time-frames.

Northern Dynasty Project Costs 2002-2006 in US$ Mio.

Northern Dynasty Project Costs 2007e in US$ Mio.

4.3 Profit and losses until 2060

The below profit and loss estimates through 2060 provide the basis for our discount-cash-flow analysis. The projected period is unusually long. We require this long term view due to the size of the potential copper reserves. We did not integrate a terminal value in our DCF model as is usually done, but included sequences of profits and losses through 2060 and consider broad economic cycles. 2060 is the point in time when we expect the resource to be largely depleted. We consider revenues and cost estimates that result from plans for other projects with similar resources to Pebble East and Pebble West. Although rising copper prices are likely (see chapter 3) we restricted our estimate to the usual industrial cycles for our estimates on revenues for copper as well as gold and molybdenum until 2060. The use of a consistent low copper price supports our conservative approach to the rating of Northern Dynasty.

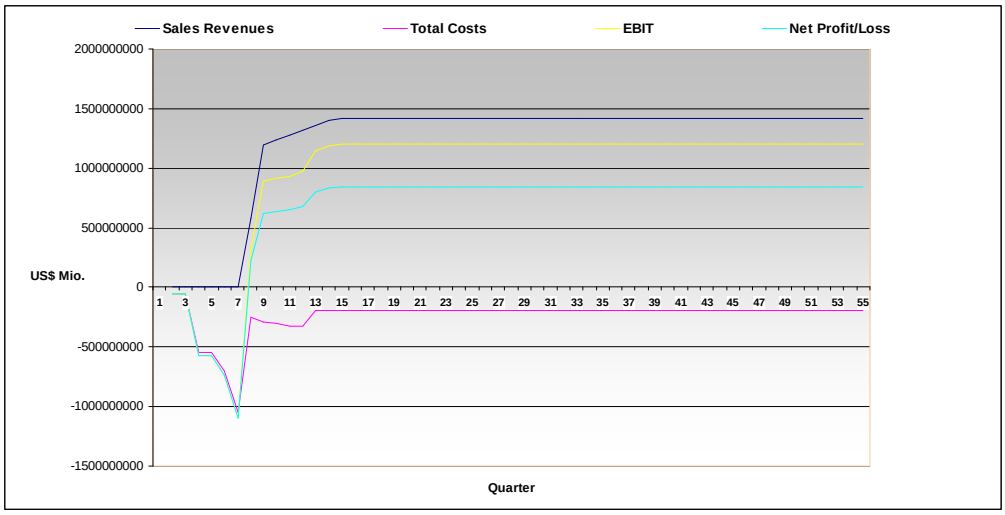
Expected Profit & Loss : Northern Dynasty Minerals

Position/Year (in US$)	2007e 2007 US$	2008e 2008 US$	2009e 2009 US$	2010e 2010 US$	2011e 2011 US$	2012e 2012 US$	2013e 2013 US$	2014e 2014 US$	2015e 2015 US$	2016e 2016 US$	2017e 2017 US$	2018e 2018 US$	2019e 2019 US$	2020e 2020 US$
Revenues	**0**	**0**	**0**	**0**	**0**	**0**	**577,000,000**	**1,194,600,000**	**1,235,200,000**	**1,275,800,000**	**1,316,400,000**	**1,357,000,000**	**1,397,600,000**	**1,415,000,000**
Initial/Sustaining Capital	**0**	**0**	**-500,000,000**	**-500,000,000**	**-650,000,000**	**-1,000,000,000**	**-150,000,000**	**-150,000,000**	**-150,000,000**	**-150,000,000**	**-150,000,000**	**-20,000,000**	**-20,000,000**	**-20,000,000**
Amortisation	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435
Labor costs	-500,000	-550,000	-600,000	-650,000	-700,000	-750,000	-48,000,000	-96,000,000	-96,000,000	-96,000,000	-96,000,000	-96,000,000	-96,000,000	-96,000,000
Conferences & Travelling	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087
Exploration	-48,695,652	-48,715,652	-48,715,652	-48,715,652	-48,715,652	-48,715,652	-48,720,652	-48,720,652	-48,670,652	-73,695,652	-73,695,652	-73,695,652	-73,695,652	-73,695,652
Accounting, Audit	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478
Office & Administration	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333
Investor Relation; shareholders communication	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826
Trust & Filing	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913
Costs sub total I	-53,650,725	-53,720,725	-553,770,725	-553,820,725	-703,870,725	-1,053,920,725	-251,175,725	-299,175,725	-299,125,725	-324,150,725	-324,150,725	-194,150,725	-194,150,725	-194,150,725
Currency: Loss/profit ("-" = profit) -	347,826	347,826	347,826	347,826	347,826	347,826	347,826	347,826	347,826	347,826	347,826	347,826	347,826	347,826
Financial profit/loss;Sales equity; ("-"=profit) -	2,782,609	2,782,609	2,782,609	2,782,609	2,782,609	2,782,609	2,782,609	2,782,609	-2,782,609	-2,782,609	-2,782,609	-2,782,609	-2,782,609	-2,782,609
Costs sub total II	**-50,520,290**	**-50,590,290**	**-550,640,290**	**-550,690,290**	**-700,740,290**	**-1,050,790,290**	**-248,045,290**	**-296,045,290**	**-301,560,507**	**-326,585,507**	**-326,585,507**	**-196,585,507**	**-196,585,507**	**-196,585,507**
Stock-based compensation	-5,217,391	-5,217,391	-5,217,391	-5,217,391	-5,217,391	-5,217,391	-5,217,391	-5,217,391	5,217,391	5,217,391	5,217,391	5,217,391	5,217,391	5,217,391
Future income tax recovery	2,086,957	2,086,957	2,086,957	2,086,957	2,086,957	2,086,957	2,086,957	2,086,957	-2,086,957	-2,086,957	-2,086,957	-2,086,957	-2,086,957	-2,086,957
EBITDA	**-47,389,855**	**-47,459,855**	**-547,509,855**	**-547,559,855**	**-697,609,855**	**-1,047,659,855**	**332,085,145**	**901,685,145**	**930,509,058**	**946,084,058**	**986,684,058**	**1,157,284,058**	**1,197,884,058**	**1,215,284,058**
Amortisation	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435
Write down of fixed assets	**-2,526,014**	**-2,529,514**	**-27,532,014**	**-27,534,514**	**-35,037,014**	**-52,539,514**	**-12,402,264**	**-14,802,264**	**-15,078,025**	**-16,329,275**	**-16,329,275**	**-9,829,275**	**-9,829,275**	**-9,829,275**
EBIT	**-50,046,304**	**-50,119,804**	**-575,172,304**	**-575,224,804**	**-732,777,304**	**-1,100,329,804**	**319,552,446**	**886,752,446**	**915,300,598**	**929,624,348**	**970,224,348**	**1,147,324,348**	**1,187,924,348**	**1,205,324,348**
Interest : Financial expenses (Capital Expenditure)	0	0	0	0	0	0	-2000000	-2000000	-2000000	-2000000	-2000000	-2,000,000	-2,000,000	-2,000,000
Taxes on income and earnings	0	0	0	0	0	0	-95865733.7	-266025733.7	-274590179.3	-278887304.3	-291067304.3	-344,197,304	-356,377,304	-361,597,304
Net Profit/Loss	**-50,046,304**	**-50,119,804**	**-575,172,304**	**-575,224,804**	**-732,777,304**	**-1,100,329,804**	**221,686,712**	**618,726,712**	**638,710,418**	**648,737,043**	**677,157,043**	**801,127,043**	**829,547,043**	**841,727,043**

Expected Profit & Loss : Northern Dynasty Minerals

Position/Year (in US$)	2021e 2021	2030e 2030	2035e 2035	2040e 2040	2045e 2045	2050e 2050	2055e 2055	2060e 2060
Revenues	**1,415,000,000**	**1,415,000,000**	**1,415,000,000**	**1,415,000,000**	**1,415,000,000**	**1,415,000,000**	**1,415,000,000**	**1,415,000,000**
Initial/Sustaining Capital	**-20,000,000**	**-20,000,000**	**-20,000,000**	**-20,000,000**	**-20,000,000**	**-20,000,000**	**-20,000,000**	**-20,000,000**
Amortisation	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435
Labor costs	-96,000,000	-96,000,000	-96,000,000	-96,000,000	-96,000,000	-96,000,000	-96,000,000	-96,000,000
Conferences & Travelling	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087	-626,087
Exploration	-73,695,652	-73,695,652	-73,695,652	-73,695,652	-73,695,652	-73,695,652	-73,695,652	-73,695,652
Accounting, Audit	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478	-1,043,478
Office & Administration	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333	-2,133,333
Investor Relation; shareholders co	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826	-347,826
Trust & Filing	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913	-173,913
Costs sub total I	-194,150,725	-194,150,725	-194,150,725	-194,150,725	-194,150,725	-194,150,725	-194,150,725	-194,150,725
Currency: L -	347,826	347,826	347,826	347,826	347,826	347,826	347,826	347,826
Financial pr -	-2,782,609	-2,782,609	-2,782,609	-2,782,609	-2,782,609	-2,782,609	-2,782,609	-2,782,609
Costs sub total II	**-196,585,507**	**-196,585,507**	**-196,585,507**	**-196,585,507**	**-196,585,507**	**-196,585,507**	**-196,585,507**	**-196,585,507**
Stock-based compensation	5,217,391	5,217,391	5,217,391	5,217,391	5,217,391	5,217,391	5,217,391	5,217,391
Future income tax recovery	-2,086,957	-2,086,957	-2,086,957	-2,086,957	-2,086,957	-2,086,957	-2,086,957	-2,086,957
EBITDA	**1,215,284,058**	**1,215,284,058**	**1,215,284,058**	**1,215,284,058**	**1,215,284,058**	**1,215,284,058**	**1,215,284,058**	**1,215,284,058**
Amortisation	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435	-130,435
Write down of fixed assets	**-9,829,275**	**-9,829,275**	**-9,829,275**	**-9,829,275**	**-9,829,275**	**-9,829,275**	**-9,829,275**	**-9,829,275**
EBIT	**1,205,324,348**	**1,205,324,348**	**1,205,324,348**	**1,205,324,348**	**1,205,324,348**	**1,205,324,348**	**1,205,324,348**	**1,205,324,348**
Interest : Financial expenses (C	-2,000,000	-2,000,000	-2,000,000	-2,000,000	-2,000,000	-2,000,000	-2,000,000	-2,000,000
Taxes on income and earnings	-361,597,304	-361,597,304	-361,597,304	-361,597,304	-361,597,304	-361,597,304	-361,597,304	-361,597,304
Net Profit/Loss	**841,727,043**	**841,727,043**	**841,727,043**	**841,727,043**	**841,727,043**	**841,727,043**	**841,727,043**	**841,727,043**
		168,740						

Northern Dynasty: Development of expected Sales, Costs, EBIT, Net income until 2060 in US$



Source: DR. KALLIWODA | INTERNATIONAL 2007 ©

5. Company rating

5.1 Discount Cashflow Model

In our DCF model we did not consider a residual phase, since we expect the end of the project to be in 2060. According to our figures, most of the Pebble resource will have been completely developed by that time. In the following charts, we show our derived free-cash-flow beginning 2007 and subsequent years until 2060. We assume an annual tax quota of 30% based on the US tax laws for mining corporations. Considering the size of the companies mineral resoureces and stage of development the current capital market valuation for Northern Dynasty appears rather low compared with other projects. In our estimate, we expect a production capacity of 90 million tonnes per year. After the first year of recovery where this capacity will be focused entirely on Pebble West we anticipate an increasing capacity utilization though Pebble East until, after approximately seven years, that capacity will be used equally between Pebble East and Pebble West.

We assume production will commence only at Pebble West because the resource there contains 569 million tonnes portion that is close to surface and has a higher average copper grade. Pebble East will be brought into production as soon as possible , commencing one year after Pebble West, because Pebble East hosts higher grades of mineralization and boasts better recovery rates for copper than Pebble West. See chart below.

	Annual Metal production		Estimates DR.KALLIWODA | INTERNATIONAL	
	Pebble West		Pebble East & West	
Copper	580 mln	pound	900 mln	pound
Gold	680,000	ounces	720,000	ounces
Molybdenum	20 mln	pound	35 mln	pound

Source: DR.KALLIWODA | INTERNATIONAL © 2007

3.4 million tonnes of inferred resource at Pebble East contain 19.2 million tonnes of copper, 1,200 tonnes of gold and 1.2 million tonnes of molybdenum at a 0.6 CuEQ cut off grade. At an annual mining capacity of 45 million tonnes at Pebble East we expect a life of mine of 3,400/45 = 75 years for the deposit. Annual projected sales are estimated based on expected metal recovery according to independent analysis (according to National Instrument 43-101) and comparable production profiles as planned at the similar Oyu Tolgoi project in Mongolia which has already completed a feasibility study.

Metal production

Mines

	Copper (%)	Gold (%)	Molybdenum (%)
Peergroup average	87	78	60
Pebble West	88	60-75	65
Pebble East	95	55-80	75

Source: DR.KALLIWODA | INTERNATIONAL © 2007

Our model is based on conservative figures for raw material prices of gold 400 USD an ounce, copper 1 USD a pound, molybdenum 6 USD a pound. Production costs are due to the high share of gold which sales returns in addition to those of molybdenum will add to a reduction of the cost of production per pound of copper and remain rather low at 0.3 USD a pound. The sales price of a pound of copper is currently 3.58 USD. In our basic scenario we apply a conservative price of copper of 1.00 USD per pound. Nonetheless, we arrive at a net present value of a little more than 2.698 billion USD. Basis of 91.7 million traded shares would make a fair value of 29.36 USD per share. These fundamental data could still improve with expansion of annual recovery capacity or with increases in metal prices or with adding more resources.

The following charts show how we arrived at free-cash-flow from 2007 and subsequent years until 2060. We assume an annual tax quota of 30% based on the US tax laws for mining companies.

Northern Dynasty: Calculation of the operating Free-cash flows (part 1)

					Detailplan			Plan	
All figures in US$	**2007e**	**2008e**	**2009e**	**2010e**	**2011e**	**2012e**	**2013e**	**2014e**	**2015e**
EBIT	-50,046,304	-50,119,804	-575,172,304	-575,224,804	-732,777,304	-1,100,329,804	319,552,446	886,752,446	915,300,598
- adjusted taxes on EBIT (30 %)	15,013,891	15,035,941	172,551,691	172,567,441	219,833,191	330,098,941	-95,865,734	-266,025,734	-274,590,179
=NOPLAT	-35,032,413	-35,083,863	-402,620,613	-402,657,363	-512,944,113	-770,230,863	223,686,712	620,726,712	640,710,418
+ Depreciation/Amortization	-2,526,014	-2,529,514	-27,532,014	-27,534,514	-35,037,014	-52,539,514	-12,402,264	-14,802,264	-15,078,025
Provisions	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
+ Increase (-decreases) provisions	0	0	0	0	0	0	0	0	0
= (operative) Brutto-Cash-flow	-32,506,399	-35,083,863	-402,620,613	-402,657,363	-512,944,113	-822,770,378	211,284,447	605,924,447	625,632,393
- Investments	0	0	-500,000,000	-500,000,000	-650,000,000	-1,000,000,000	-150,000,000	-150,000,000	-150,000,000
- Increase (+ decrease) Working Capital	0	0	0	0	0	0	0	0	0
= Operativer Free Cash-flow (oFCF)	**-32,506,399**	**-35,083,863**	**-402,620,613**	**-402,657,363**	**-512,944,113**	**-822,770,378**	**211,284,447**	**605,924,447**	**625,632,393**

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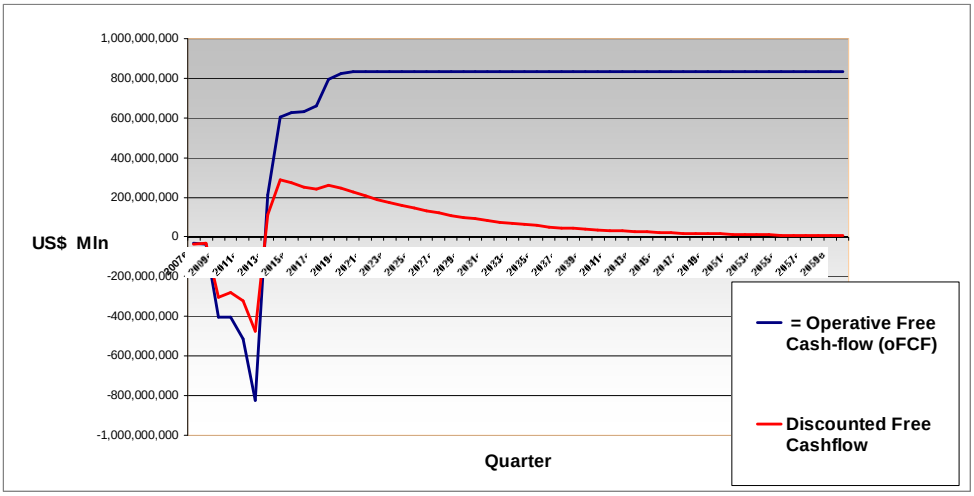
Northern Dynasty: Calculation of the operating Free-cash flows (part 2)

All figures in US$	**2020e**	**2025e**	**2030e**	**2035e**	**2040e**	**2045e**	**2050e**	**2055e**	**2060e**
EBIT	1,205,324,348	1,205,324,348	1,205,324,348	1,205,324,348	1,205,324,348	1,205,324,348	1,205,324,348	1,205,324,348	1,205,324,348
- adjusted taxes on EBIT (30 %)	-361,597,304	-361,597,304	-361,597,304	-361,597,304	-361,597,304	-361,597,304	-361,597,304	-361,597,304	-361,597,304
=NOPLAT	843,727,043	843,727,043	843,727,043	843,727,043	843,727,043	843,727,043	843,727,043	843,727,043	843,727,043
+ Depreciation/Amortization	-9,829,275	-9,829,275	-9,829,275	-9,829,275	-9,829,275	-9,829,275	-9,829,275	-9,829,275	-9,829,275
Provisions	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
+ Increase (-decreases) provisions	0	0	0	0	0	0	0	0	0
= (operative) Brutto-Cash-flow	833,897,768	833,897,768	833,897,768	833,897,768	833,897,768	833,897,768	833,897,768	833,897,768	833,897,768
- Investments	-20,000,000	-20,000,000	-20,000,000	-20,000,000	-20,000,000	-20,000,000	-20,000,000	-20,000,000	-20,000,000
- Increase (+ decrease) Working Capital	0	0	0	0	0	0	0	0	0
= Operativer Free Cash-flow (oFCF)	**833,897,768**	**833,897,768**	**833,897,768**	**833,897,768**	**833,897,768**	**833,897,768**	**833,897,768**	**833,897,768**	**833,897,768**

Source: Dr. KALLIWODA | INTERNATIONAL © Copyright 2007

Northern Dynasty: Development of exp. FreeCashflows + disc. FreeCashfl. until 2060 in US$



Source: Northern Dynasty: DR. KALLIWODA | INTERNATIONAL 2007 ©

In arriving at a weighted approach to capital cost (WACC), we integrated the standard Capital Asset Pricing Model (CAPM) in order to include systemic risks (market risk prime) and company-specific risks. Risk-free interest is 5.2% based on the 10-year Bond of the American Treasury. We fixed a beta of 1.7 that is similar to the raw materials segment of the Toronto Stock Exchange consisting of non-producing raw materials enterprises. The risk prime of 5% is rather low since based on an assumed subsidiary/Joint-Venture structure with a major mining company such as Rio Tinto. In addition the companies current cash position is satisfactory.

Northern Dynasty: WACC, DCF - Entity approach

Cost of equity		Cost of dept	
Interest rate			
Risk-free rate	5.20	**Interest rate**	9.50
		+ Risk premium	1.00
	5.20	**= Cost of debt before tax**	10.50
General market risk		- Tax	-3.15
Beta	1.70	**= Cost of debt after tax**	7.35
* Risk premium	5.00	- half of personal tax	1.29
= individual market risk premium	8.50		6.06
- half of personal tax	1.28		
	7.23		
Company specific risk			
individual premium	1.00		
- half of personal tax	0.15		
	0.85		
Sum of I+II+III	13.28		
Cost of equity	50.00	**Cost of debt**	50.00
Weighted cost of capital (WACC)	9.67		

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5.2 Fair Value and Sensitivity analysis

Our derived fair value of the stock amounts to USD 29.36 a share. It is 128% higher than the current stock price (USD 12.78).

Northern Dynasty: Calculation - Company Value in US$ (Part 1: Until 2015e)										
		2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e
Discount rate	9.67									
Multiplier		1.156	0.831	0.758	0.691	0.630	0.575	0.524	0.478	0.436
Operating Free Cash-flows		-32,506,399	-35,083,863	-402,620,613	-402,657,363	-512,944,113	-822,770,378	211,284,447	605,924,447	625,632,393
Present value of Free Cash-flows		-37,574,659	-29,170,016	-305,238,914	-278,351,888	-323,327,919	-472,896,867	110,731,186	289,557,973	272,615,730
Present value of Free Cash-flows	2,767,077,800									
	0									
	0		No. of shares:		91,890,519					
	0									
Third Parties	0		Fair Value:		**29.36**					
	0									
Entity Value	2,767,077,800									
- Liabilities / Cash	0									
+ Cashflows Warrants	0									
+ Recapitalization	0									
+ Recapitalization (Cashflows Warr.)	-69,024,257									
Equity Value per 01.07.2007	**2,698,053,543**									

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Northern Dynasty: Calculation - Company Value in US$ (Part 2: Until 2060e)										
		2020e	2025e	2030e	2035e	2040e	2045e	2050e	2055e	2060e
Discount rate	9.67									
Multiplier		0.275	0.173	0.109	0.069	0.043	0.027	0.017	0.011	0.007
Operating Free Cash-flows		833,897,768	833,897,768	833,897,768	833,897,768	833,897,768	833,897,768	833,897,768	833,897,768	833,897,768
Present value of Free Cash-flows		229,043,332	144,374,606	91,004,731	57,363,696	36,158,490	22,792,053	14,366,686	9,055,861	5,708,249
Present value of Free Cash-flows	2,767,077,800									
	0									
	0		No. of shares:	91,890,519						
	0									
Third Parties	0		Fair Value:	**29.36**						
	0									
Entity Value	2,767,077,800									
- Liabilities / Cash	0									
+ Cashflows Warrants	0									
+ Recapitalization	0									
+ Recapitalization (Cashflows Warr.)	-69,024,257									
Equity Value per 01.07.2007	**2,698,053,543**									

Source: Dr. KALLIWODA | INTERNATIONAL © Copyright 2007

The modification of action parameters WACC is shown in the following sensitivity analysis. It shows variance of our derived fair value in different scenarios. Fair value ranges from USD 16.13 to USD 53.29 (USD 1482 million and USD 4897 million).

Sensitivity: Discount rate and fair value per share (in US$)											
Discont rate (%)	7.17	7.67	8.17	8.67	9.17	9.67	10.17	10.67	11.17	11.67	12.17
NDM	53.29	47.22	41.89	37.20	33.04	29.36	26.09	23.17	20.56	18.23	16.13
Source: Dr. KALLIWODA | INTERNATIONAL © Copyright 2007											

Sensitivity: Discount rate and fair value per share in mln US$											
Discount rate (%)	7.17	7.67	8.17	8.67	9.17	9.67	10.17	10.67	11.17	11.67	12.17
NDM in Mio US$	4,897	4,339	3,849	3,418	3,036	2,698	2,397	2,129	1,889	1,675	1,482
Source: Dr. KALLIWODA | INTERNATIONAL © Copyright 2007											

5.3 Rating in the In-Situ-Valuation Approach

Market capitalization of a future producer can be forecast in relation to the value of raw materials in the resource. Within a peer-group analysis similar companies can be compared in their stages of development when set in relation of market capitalization to ounces of gold or copper equivalents. The earlier recovery begins the greater the increase in its rating. This rating approach is called the In-Situ-Approach. The sector average for North American resource development companies is currently at 82 USD per ounce of gold, 0.05 USD per pound of copper and 0.027 US$ per pound of copper equivalents (price of gold and copper equivalents adjusted to currency). Northern Dynasty is priced at 13.00 USD per pound of gold (Mcap 1.1 billion USD divided by 82 million ounces of gold) or 0.015 USD for copper and is thus undervalued.

6 Management

Robert Dickinson (Executive Chairman)

Robert Dickinson has been active in mineral exploration for more than 40 years. 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 is a director of Hunter Dickinson Inc. and associated companies.

Ronald Thiessen (President and CEO)

Ronald Thiessen is a Chartered Accountant, with professional experience in finance, taxation, mergers, acquisitions and re-organizations. Since 1986, he has been involved in the acquisition and financing of mining and mineral exploration companies. Mr. Thiessen is also a director of Hunter Dickinson Inc. and associated companies.

Jeffrey Mason (CFO and Secretary)

Jeffrey 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. He formerly held positions with Homestake Mining. Mr. Mason is also a director of Hunter Dickinson Inc. and associated companies.

Bruce Jenkins (COO)

Bruce Jenkins is a corporate and government relations executive with over 30 years of experience in project and corporate management. He is COO of US subsidiary Northern Dynasty Mines Inc. and directs Northern Dynasty´s environment, government, community relations and permitting activities.

Stephen Hodgson (Vice President, Engineering)

StephenHodgson is a professional engineer with 30 years of experience in mine operations, mine development and project engineering. He is Vice President of US subsidiary Northern Dynasty Mines Inc., Vice President of Engineering for Hunter Dickinson Inc. and Feasibility Study Director for the Pebble Project.

Non Executive Directors: Scott Cousens, David Elliott, Gordon Fretwell, Wayne Kirk, Walter Segsworth, David Copeland.

Northern Dynasty Minerals is one of nine publicly held companies that shares both cost and expertise advantages from the services provided by Hunter Dickinson Inc. (HDI). HDI led by Ron Thiessen and principal and founder Robert Dickinson, provides financial, technical and administrative services for each one of the legally independent enterprises with projects in Canada, South Africa, USA and Mexico.
HDI, founded in 1985, consists of a well-balanced mix of geologists, engineers, environmental specialists, accountants and business administrators with many years of industry experience in the areas of exploration, development and production. HDI has made a name for itself in the mining industry with several successful development projects that were sold to companies such as Homestake Mining and Placer Dome. Currently, the HDI group of companies have projects from early exploration through to advanced development and production stages that are earning positive returns for investors.

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BUY:	On a basis of our prognoses the stock should have aperformance of at least 20% in the following 12 months.	
ACCUMULATE:	On a basis of our prognoses the stock should have a performance of between 10% and 20% in the following 12 months.	
HOLD:	On a basis of our prognoses the stock should have a performance of between minus 10% and plus 10% in the following 12 months.	
REDUCE:	On a basis of our prognoses the stock should have an underperformance of between minus 10% and minus 20%.	
SELL:	On a basis of our prognoses the stock should have an underperformance of at least minus 20%.	

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