

NORTHERN DYNASTY MINERALS LTD.

20182021 NON-EMPLOYEE DIRECTORS DEFERRED SHARE UNIT PLAN

1. PURPOSE OF THE PLAN

- 1.1 This Plan has been established by the Corporation to promote the interests of the Corporation by attracting and retaining qualified persons to serve on the Board and to promote a greater alignment of long term interests between such Participants and the shareholders of the Corporation.

2. PLAN DEFINITIONS AND INTERPRETATIONS

- 2.1 In this Plan, the following terms have the following meanings:

- (a) **“Account”** means an account maintained for each Participant on the books of the Corporation which will be credited with Deferred Share Units, in accordance with the terms of the Plan.
- (b) **“Applicable Law”** means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder and Stock Exchange Rules.
- (c) **“Board”** means the Board of Directors of the Corporation.
- (d) **“Change of Control”** means:
- (i) the acquisition whether directly or indirectly, by a person or company, or any persons or companies acting jointly or in concert (as determined in accordance with the Securities Act (British Columbia) and the rules and regulations thereunder) of voting securities of the Corporation which, together with any other voting securities of the Corporation held by such person or company or persons or companies, constitute, in the aggregate, more than 50% of all outstanding voting securities of the Corporation;
 - (ii) an amalgamation, arrangement or other form of business combination of the Corporation with another company which results in the holders of voting securities of that other company holding, in the aggregate, 50% or more of all outstanding voting securities of the Corporation (including a merged or successor company) resulting from the business combination; or
 - (iii) the sale, lease or exchange of all or substantially all of the property of the Corporation to another person, other than a subsidiary of the Corporation or other than in the ordinary course of business of the Corporation;

- (e) **“Committee”** means the Compensation Committee of the Board.
- (f) **“Common Shares”** means common shares of the Corporation and includes any securities of the Corporation into which such Common Shares may be converted, reclassified, redesignated, subdivided, consolidated, exchanged or otherwise changed, pursuant to a Reorganization or otherwise.
- (g) **“Corporation”** means Northern Dynasty Minerals Ltd. and its respective successors and assigns, and any reference in the Plan to action by the Corporation means action by or under the authority of the Board or any person or committee that has been designated for the purpose by the Board including, without limitation, the Committee.
- (h) **“DSU” or “Deferred Share Unit”** means a unit credited to a Participant by way of a bookkeeping entry in the books of the Corporation pursuant to this Plan, the value of which is equivalent in value to a Common Share.
- (i) **“Grant”** means any Deferred Share Unit credited to the Account of a Participant.
- (j) **“Insider”** has the meaning provided for purposes of the TSX relating to Security Based Compensation Arrangements.
- (k) **“Notice of Redemption”** means written notice, on a prescribed form, by the Participant, or the administrator or liquidator of the estate of the Participant, to the Corporation of the Participant’s wish to redeem his or her Deferred Share Units.
- (l) **“Participant”** means a non-employee director of the Corporation who is designated by the Committee as eligible to participate in the Plan.
- (m) **“Plan”** means this ~~2018~~2021 Non-Employee Directors Deferred Share Unit Plan.
- (n) **“Redemption Date”** means the date that a Notice of Redemption is received by the Corporation; provided in the case of a U.S. Eligible Participant, however, the Redemption Date will be made the earlier of (i) “separation from service” within the meaning of Section 409A of the Code, or (ii) within 90 days of the U.S. Eligible Participant’s death.
- (o) **“Reorganization”** means any (i) capital reorganization, (ii) merger, (iii) amalgamation, or (iv) arrangement or other scheme of reorganization.
- (p) **“Section 409A”** means Section 409A of the *U.S. Internal Revenue Code of 1986, as amended*, and the Treasury Regulations promulgated thereunder as in effect from time to time.

- (q) “**Security Based Compensation Arrangement**” has the meaning defined in the provisions of the TSX Company Manual relating to security based compensation arrangements.
- (r) “**Share Price**” means the closing price of a Common Share on the TSX averaged over the five (5) consecutive trading days immediately preceding (a) in the case of a Grant, the last day of the fiscal quarter preceding the date of Grant in respect of a director, or (b) in the case of a redemption, the Redemption Date, as applicable, or in the event such shares are not traded on the TSX, the fair market value of such shares as determined by the Committee acting in good faith.
- (s) “**Stock Exchange Rules**” means the applicable rules of any stock exchange upon which the Common Shares are listed.
- (t) “**Termination Date**” means the date of a Participant’s death, or retirement from, or loss of office or employment with the Corporation, within the meaning of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada), including the Participant’s resignation, retirement, removal from the Board, death or otherwise.
- (u) “**TSX**” means the Toronto Stock Exchange.
- (v) “**U.S. Eligible Participant**” refers to a Participant who, at any time during the period from the date Deferred Share Units are granted to the Participant to the date such Deferred Share Units are redeemed by the Participant, is subject to income taxation in the United States on the income received for his or her services as a director of the Corporation and who is not otherwise exempt from U.S. income taxation under the relevant provisions of the *U.S. Internal Revenue Code of 1986, as amended*, or the *Canada-U.S. Income Tax Convention, as amended from time to time*.

3. NON-EMPLOYEE DIRECTOR COMPENSATION

3.1 **Establishment of Annual Base Compensation**

An annual compensation amount (the "**Annual Base Compensation**") payable to non-employee Directors (hereafter "**Directors**") of the Corporation shall be established from time-to-time by the Board. The amount of Annual Base Compensation will be reported annually in the Corporation’s management information circular.

3.2 **Payment of Annual Base Compensation**

- (a) The Annual Base Compensation shall be payable in quarterly installments, with each installment payable as promptly as practicable following the last business

day of the fiscal quarter to which it applies. Quarterly payments shall be pro rated if Board service commences or terminates during a fiscal quarter. The number of DSUs to be paid and the terms of the DSUs shall be determined as provided in the following sections of this Plan.

- (b) Each Director may elect to receive in DSUs up to 100% of his or her Annual Base Compensation by completing and delivering a written election to the Corporation on or before November 15th of the calendar year ending immediately before the calendar year with respect to which the election is made. Such election will be effective with respect to compensation payable for fiscal quarters beginning during the calendar year following the date of such election. Further, where an individual becomes a Director for the first time during a fiscal year and such individual has not previously participated in a plan that is required to be aggregated with this Plan for purposes of Section 409A, such individual may elect to participate in the Plan with respect to fiscal quarters of the Corporation commencing after the Corporation receives such individual's written election, which election must be received by the Corporation no later than 30 days after such individual's appointment as a Director. For greater certainty, new Directors will not be entitled to receive DSUs pursuant to an election for the quarter in which they submit their first election to the Corporation or any previous quarter. Elections hereunder shall be irrevocable with respect to compensation earned during the period to which such election relates.
- (c) All DSUs granted with respect to Annual Base Compensation will be credited to the Director's Account when such Annual Base Compensation is payable (the "**Grant Date**").
- (d) The Director's Account will be credited with the number of DSUs calculated to the nearest thousandths of a DSU, determined by dividing the dollar amount of compensation payable in DSUs on the Grant Date by the Share Price. Fractional Common Shares will not be issued and any fractional entitlements will be rounded down to the nearest whole number.

4. ADMINISTRATION OF DSU ACCOUNTS

4.1 **Administration of Plan**

The Committee shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of the Plan and to amend and rescind such rules and regulations from time to time;

- (b) to interpret and construe the Plan and to determine all questions arising out of the Plan and any such interpretation, construction or determination made by the Committee shall be final, binding and conclusive for all purposes;
- (c) to prescribe the form of the instruments used in conjunction with the Plan; and
- (d) to determine which members of the Board are eligible to participate in the Plan.

4.2 **Redemption of Deferred Share Units**

- (a) Each Participant shall be entitled to redeem his or her Deferred Share Units during the period commencing on the business day immediately following the Termination Date and ending on the 90th day following the Termination Date by providing a written Notice of Redemption to the Corporation. In the event of death of a Participant, the Notice of Redemption shall be filed by the legal representative of the Participant. In the case of a U.S. Eligible Participant, however, the redemption will be deemed to be made on the earlier of (i) “separation from service” within the meaning of Section 409A, or (ii) within 90 days of the U.S. Eligible Participant’s death.
- (b) Upon redemption, the Participant shall be entitled to receive, and the Corporation shall issue or provide:
 - (i) subject to shareholder approval of this Plan and the limitations set forth in Section 6.2 below, a number of Common Shares issued from treasury equal to the number of DSUs in the Participant’s Account, net of any applicable deductions and withholdings;
 - (ii) subject to and in accordance with any Applicable Law, a number of Common Shares purchased by an independent administrator of the Plan in the open market for the purposes of providing Common Shares to Participants under the Plan equal in number to the DSUs in the Participant’s Account, net of any applicable deductions and withholdings;
 - (iii) the payment of a cash amount to a Participant equal to the number of DSUs multiplied by the Share Price, net of any applicable deductions and withholdings; or
 - (iv) any combination of the foregoing,as determined by the Corporation, in its sole discretion.

4.3 **Payment Notwithstanding**

Notwithstanding any other provision of this Plan, all amounts payable to, or in respect of, a Participant hereunder shall be paid on or before December 31 of the calendar year commencing immediately after the Participant's Termination Date.

5. ALTERATION OF NUMBER OF SHARES SUBJECT TO THE PLAN

5.1 **Subdivisions or Consolidations**

In the event that the Common Shares shall be subdivided or consolidated into a different number of Common Shares or a distribution shall be declared upon the Common Shares payable in Common Shares, the number of DSUs then recorded in the Director's Account shall be adjusted by replacing such number by a number equal to the number of Common Shares which would be held by the Director immediately after the distribution, subdivision or consolidation, should the Director have held a number of Common Shares equal to the number of DSUs recorded in the Director's Account on the record date fixed for such distribution, subdivision or consolidation.

5.2 **Reorganizations**

In the event there shall be any change, other than as specified in Section 5.1, in the number or kind of outstanding Common Shares or of any shares or other securities into which such Common Shares shall have been changed or for which they shall have been exchanged, pursuant to a Reorganization or otherwise, then there shall be substituted for each Common Share referred to in the Plan or for each share into which such Common Share shall have been so changed or exchanged, the kind of securities into which each outstanding Common Share shall be so changed or exchanged and an equitable adjustment shall be made, if required, in the number of DSUs then recorded in the Director's Account, such adjustment, if any, to be reasonably determined by the Committee and to be effective and binding for all purposes.

5.3 **Adjustments**

In the case of any such substitution, change or adjustment as provided for in this Section 5, the variation shall generally require that the number of DSUs then recorded in the Director's Account prior to such substitution, change or adjustment will be proportionately and appropriately varied.

6. RESTRICTIONS ON ISSUANCES

6.1 **Maximum Number of DSUs**

DSUs may be granted by the Corporation in accordance with this Plan provided the aggregate number of DSUs outstanding pursuant to the Plan from time to time shall not exceed

~~2.0~~1.0% of the number of issued and outstanding Common Shares from time to time. The maximum number of Shares issuable pursuant to all Security Based Compensation Arrangements, at any time, including all Shares, options or other rights to purchase or otherwise acquire Shares that are granted shall not exceed ~~10~~8% of the total number of outstanding Shares.

6.2 Insider Participation Limits

The maximum number of Shares that may be issued to Insiders as a group pursuant to the Plan, ~~together~~when combined with any Shares that may be issued to Insiders pursuant to ~~any~~all of the Company's other Security Based Compensation ~~Arrangement, within any one year period, shall not exceed 10% of the total number of weighted average number of common shares outstanding during the year~~Arrangements, may not exceed 8% of the issued Common Shares within any 12 month period.

7. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

7.1 Amendment to the Plan

Until such time as the Corporation receives shareholder approval of the issuances from treasury contemplated in Section 4.2(b)(i), the Plan may be amended, suspended or terminated at any time by the Board in whole or in part. No amendment of the Plan shall, without the consent of the Participants affected by the amendment, or unless required by Applicable Law, adversely affect the rights accrued to such Participants with respect to DSUs granted prior to the date of the amendment.

Following shareholder approval of any issuances from treasury as contemplated in Section 4.2(b)(i), the Board may at any time, and from time to time, and without shareholder approval, amend any provision of the Plan, subject to any regulatory or stock exchange requirement at the time of such amendment, including, without limitation:

- (a) for the purposes of making formal minor or technical modifications to any of the provisions of the Plan including amendments of a “clerical” or “housekeeping” nature;
- (b) to correct any ambiguity, defective provision, error or omission in the provisions of the Plan;
- (c) amendments to the termination provisions of Section 7.2;
- (d) amendments necessary or advisable because of any change in Applicable Laws;
- (e) amendments to the transferability of Deferred Share Units provided for in Sections 8.2 and 8.10;

- (f) amendments to Section 4.1 relating to the administration of the Plan; and
- (g) any other amendment, fundamental or otherwise, not requiring shareholder approval under Applicable Laws;

provided, however, that:

- (h) no such amendment of the Plan may be made without the consent of each affected Participant in the Plan if such amendment would adversely affect the rights of such affected Participant(s) under the Plan; and
- (i) shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment:
 - (i) to Section 6.1 in order to increase the maximum number of Deferred Share Units which may be issued under this Plan (other than pursuant to Section 5);
 - (ii) to Section 7.1; or
 - (iii) to the definition of "Participant".

7.2 **Plan Termination**

The Committee may decide to discontinue granting awards under the Plan at any time in which case no further Deferred Share Units shall be awarded or credited under the Plan. Any Deferred Share Units which remain outstanding in a Participant's Account at that time shall continue to be dealt with according to the terms of the Plan. The Plan shall terminate when all payments owing pursuant to Section 4.2 of the Plan have been made and all Deferred Share Units have been cancelled in all Participants' Accounts.

8. GENERAL PROVISIONS

8.1 **Withholding**

The Corporation shall not have any responsibility for or in respect of the tax consequences of a grant of Deferred Share Units to, or the receipt of Deferred Share Units or payout in respect thereof by, Participants under this Plan or otherwise in respect of the Participants' participation under the Plan. The Corporation may withhold from any amount payable to a Participant, either under this Plan, or otherwise, such amount as may be necessary or desirable as determined by the Corporation in its sole discretion so as to ensure that the Corporation will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding or remittance of tax or other required deductions or amounts, including on the amount, if any, includable in the income of a Participant. The

Corporation shall also have the right in its discretion to satisfy any such withholding tax liability by retaining, acquiring or selling (on such terms as the Corporation determines in its sole discretion, and, in the case of a sale, without any requirement to obtain the best possible price) on behalf of a Participant any Common Shares which would otherwise be issued or provided to a Participant hereunder, or to require a Participant, as a condition of receiving anything under this Plan, to deliver cash or certified cheque payable to the Corporation for the amount of applicable tax as determined by the Corporation in its sole discretion.

8.2 Assignability

No right to receive payment of DSUs and other benefits under the Plan shall be transferable or assignable by a Participant except by will or laws of descent and distribution.

8.3 Unfunded Plan

Unless otherwise determined by the Committee, the Plan shall be unfunded. To the extent any Participant or his or her estate holds any rights by virtue of a grant of Deferred Share Units under the Plan, such rights (unless otherwise determined by the Committee) shall be no greater than the rights of an unsecured creditor of the Corporation.

8.4 Final Determination

Any determination or decision by or opinion of the Committee made or held pursuant to the terms of the Plan shall be final, conclusive and binding on all parties concerned. All rights, entitlements and obligations of Participants under the Plan are set forth in the terms of the Plan and cannot be modified by any other documents, statements or communications, except by Plan amendments referred to in Section 7.1 of the Plan.

8.5 No Right to Employment

Participation in the Plan shall not be construed to give any Participant a right to be retained as a Director.

8.6 No Other Benefit

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of Common Shares nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.

8.7 No Shareholder Rights

Under no circumstances shall Deferred Share Units be considered Common Shares nor shall they entitle any Participant to exercise voting rights or any other rights attaching to the

ownership of Common Shares nor shall any Participant be considered the owner of Common Shares by virtue of the award of Deferred Share Units.

8.8 Reorganization of the Corporation

The existence of any Deferred Share Units shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, shares or other securities of the Corporation or the rights and conditions attaching thereto or to affect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

8.9 Successors and Assigns

The Plan shall be binding on all successors and assigns of the Corporation.

8.10 General Restrictions and Assignment

Except as required by law, the rights of a Participant under the Plan are not capable of being anticipated, assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant.

8.11 Section 409A

It is intended that the provisions of this Plan comply with Section 409A, and all provisions of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding anything in the Plan to the contrary, the following will apply with respect to the rights and benefits of U.S. Eligible Participants under the Plan:

- (a) Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to or for the benefit of a U.S. Eligible Participant may not be reduced by, or offset against, any amount owing by the U.S. Eligible Participant to the Corporation or any of its affiliates.
- (b) If a U.S. Eligible Participant becomes entitled to receive payment in respect of any Deferred Share Units as a result of his or her "separation from service" (within the meaning of Section 409A), and the U.S. Eligible Participant is a "specified employee" (within the meaning of Section 409A) at the time of his or her separation from service, and the Committee makes a good faith determination that
 - (i) all or a portion of the Deferred Share Units constitute "deferred compensation"

(within the meaning of Section 409A) and (ii) any such deferred compensation that would otherwise be payable during the six-month period following such separation from service is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then payment of such “deferred compensation” shall not be made to the U.S Eligible Participant before the date which is six months after the date of his or her separation from service (and shall be paid in a single lump sum on the first day of the seventh month following the date of such separation from service) or, if earlier, the U.S Eligible Participant’s date of death.

- (c) A U.S. Eligible Participant’s status as a specified employee shall be determined by the Corporation as required by Section 409A on a basis consistent with the regulations under Section 409A and such basis for determination will be consistently applied to all plans, programs, contracts, agreements, etc. maintained by the Corporation that are subject to Section 409A.
- (d) Each U.S Eligible Participant, any beneficiary or the U.S Eligible Participant’s estate, as the case may be, is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such U.S Eligible Participant in connection with this Plan (including any taxes and penalties under Section 409A), and neither the Corporation nor any affiliate shall have any obligation to indemnify or otherwise hold such U.S Eligible Participant or beneficiary or the U.S Eligible Participant’s estate harmless from any or all of such taxes or penalties.
- (e) In the event that the Committee determines that any amounts payable hereunder will be taxable to a Participant under Section 409A prior to payment to such Participant of such amount, the Corporation may (i) adopt such amendments to the Plan and Deferred Share Units and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Deferred Share Units hereunder and/or (ii) take such other actions as the Committee determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A.
- (f) Notwithstanding the provisions in Section 7, upon termination of the Plan payments will be made in accordance with the regulations issued under 409A regarding payments upon the termination of a nonqualified deferred compensation plan.

8.12 Forfeiture Provision

If a Participant is subject to tax under the *Income Tax Act* (Canada) and also is a U.S. Eligible Participant with respect to DSUs, the following special rules regarding forfeiture of such Deferred Share Units will apply if the Participant's DSUs are subject to Section 409A. For greater clarity, these forfeiture provisions are intended to avoid adverse tax consequences under Section 409A and/or under paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada), that may result because of the different requirements as to the time of settlement of Deferred Share Units with respect to a Participant's "separation from service" (within the meaning of Section 409A) ("**Separation From Service**") and his retirement or loss of office (under tax laws of Canada). If a Participant otherwise would be entitled to payment of DSUs in any of the following circumstances, such DSUs shall instead be immediately and irrevocably forfeited (for greater certainty, without any compensation therefore):

- (a) a Participant experiences a Separation From Service as a result of a permanent decrease in the level of services provided to less than 20% of his past service in circumstances that do not constitute a retirement from, or loss of office or employment with, the Corporation or an affiliate thereof, within the meaning of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada); or
- (b) a Participant experiences a Separation From Service upon ceasing to be a director while continuing to provide services as an employee in circumstances that do not constitute a retirement from, or loss of office or employment with, the Corporation or an affiliate thereof, within the meaning of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada); or
- (c) a Participant experiences a serious disability that continues for more than 29 months in circumstances that constitute a Separation from Service and do not constitute a retirement from, or loss of office or employment with, the Corporation or an affiliate thereof, within the meaning of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada); or
- (d) a Participant experiences a retirement from, or loss of office or employment with, the Corporation or an affiliate thereof, within the meaning of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada) by virtue of ceasing employment as both an employee and as a director, but he continues to provide services as an independent contractor such that he has not experienced a Separation From Service.

8.13 Interpretation

In this text, words importing the singular meaning shall include the plural and vice versa, and words importing the masculine shall include the feminine and neuter genders.

8.14 **Governing Law**

The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be governed by the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

8.15 **Severability**

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

8.16 **Effective Date**

The effective date of this Plan shall be June ~~28, 2018~~ 30, 2021.