

# NOVAGOLD

2018 ANNUAL REPORT

**DOING THE RIGHT THING FOR OUR SHAREHOLDERS.** Six years ago, we laid out a clear roadmap for investors. We said we'd spin off our Alaskan copper assets. We did. We said we'd sell Galore Creek – for real money. We did. We said that, if given the opportunity, we'd demonstrate the extraordinary potential of the Donlin Gold deposit. We were, and we did. We said that the Donlin Gold project would be permitted. It was. We made promises. We kept every one of them. And today, Donlin Gold is one of the most important gold development stories in the industry.



Cover photo: One of the Donlin Gold drill sites from the program completed in 2017.

## table of contents

- 2** president's letter to shareholders
- 5** chairman's letter to shareholders: papa doesn't play poker
- 16** questions & answers
- 30** company map
- 32** corporate social responsibility
- 39** mineral reserves & mineral resources
- 40** corporate information and financial statements (*separate document*)

Our employees and neighbors take pride in the work and activities depicted in the photographs throughout this report, most of which were taken at the Donlin Gold site or in the surrounding communities. All scientific and technical information in the body of this annual report is qualified by and is to be read in conjunction with the mineral reserves and mineral resources table and associated notes found on page 39 of this annual report. All dollar amounts quoted in this report are in U.S. currency unless otherwise noted.



# 2018 achievements

1

results from our 2017 drill program show high-grade mineralization

2

published Donlin Gold Final Environmental Impact Statement

3

sold Galore Creek to Newmont Mining Corporation

Col. Michael Brooks, U.S. Army Corps of Engineers Alaska District former Commander, signs the joint Record of Decision for the Donlin Gold projects with Bureau of Land Management Assistant Secretary for Land and Minerals Management Joe Balash.



4

received Donlin Gold joint Record of Decision and major federal permits

5

received key state permits for the Donlin Gold project



## letter to shareholders

**Gregory A. Lang** | President and CEO

# 2018

It was quite a successful year for NOVAGOLD with two key milestones achieved: first, we completed the National Environmental Policy Act (NEPA) process and federal permitting for our flagship Donlin Gold project in southwestern Alaska; second, we secured at least \$200 million in cash and receivables (and potentially more) by divesting a non-core asset. It is truly gratifying to see both initiatives, launched in 2012, come to a satisfactory conclusion.

The successful permitting effort for the Donlin Gold project was a federal, state, and regional marathon. An extensive amount of work was carried out by a number of individuals and groups, including the Donlin Gold team in Anchorage, the U.S. Army Corps of Engineers, the Bureau of Land Management (BLM), the Calista Corporation and The Kuskokwim Corporation (TKC), and tribal councils from the Yukon-Kuskokwim (Y-K) region. I'm proud of the company's and Donlin Gold's comprehensive work on this front, from the workshops and meetings throughout the region to the 11 Alaska-based agencies and tribal stakeholders involved in the NEPA process over the last six years. It was an incredible undertaking and a great outcome for all involved. The excellent input received from the public (local communities) and the various agencies during the interactive NEPA process served to strengthen the resulting permits and the manner in which the project is expected to be developed.

The receipt of Donlin Gold's joint Record of Decision (ROD) from the Corps and BLM was a historic first and a momentous occasion. We were joined by Calista and TKC, our partner Barrick Gold Corporation, and both federal agencies for the signing ceremony. Issued four months after the publication of the final Environmental Impact Statement (EIS), the ROD was followed by the receipt of key federal and state permits, marking the completion of the multi-year NEPA review process. The Donlin Gold project also received the special permit for the natural gas pipeline from the Pipeline and Hazardous Materials Safety Administration. Key Alaska state permits, secured in parallel with federal permits, were the air quality, Alaska Pollutant Discharge Elimination System water discharge, and Title 16 fish habitat permits. The state also issued its Clean Water Act Section 401 certification to support the Corps' Section 404 and Section 10 permit issuance. All are needed to build a technically and environmentally sound, financially responsible, and socially sustainable operation.

Over the last two decades, NOVAGOLD has been actively involved in the areas where its assets are located. In the Y-K region Donlin Gold stakeholders have been engaged in all stages of project advancement, from exploration and discovery to baseline studies and permitting. The perspectives and opinions of those living in the region matter; more important, their knowledge of the area has enabled us to approach the project in a responsible manner. Since 2010, more than 400 meetings have been conducted, providing us with a forum to respond to questions and engage with residents. In addition to the Corps holding its own EIS hearings in 16 villages and Anchorage during the scoping and draft EIS phases, 66 tribes were invited to participate in the EIS process. Multiple stakeholder workshops were held and newsletters written to provide current and in-depth project information to community members.

We're enthusiastic about the next chapters in project development and looking forward to taking Donlin



Gold up the value chain so that this incredible project can become one of the most technically advanced gold mines in the world. With an endowment of 39 million ounces of gold in the measured and indicated resource categories (grading 2.24 grams per tonne),\* we believe it is one of the largest and among the highest-grade open-pit gold projects on the planet – and considering that its footprint encompasses only three kilometers of an eight-kilometer mineralized belt, it could grow substantially in the future. We are truly fortunate to be located on private land designated for mining in Alaska, a state with a history of support for environmentally sound and socially responsible mining – and where we’ve forged partnerships with such important stakeholders as Calista and TKC. We’re proud of the mutual trust and respect we’ve developed with residents of the Y-K region, and have every intention of building upon that track record.

Since 2012, we’ve been looking to monetize our 50% interest in the Galore Creek polymetallic project in northern British Columbia. Our patience paid off: In July 2018 we sold our share of the project to Newmont Mining Corporation for a total consideration of up to \$275 million – \$100 million upon closing, an additional \$75 million expected no later than July 2021, and another \$25 million no later than July 2023. And if a construction decision is made, we will receive an additional \$75 million. It is my belief that Newmont and Teck, our former 50% Galore Creek partner, will continue advancing this important project in a responsible manner. I’d like to extend a special thank you to Teck and the Tahltan Nation, NOVAGOLD’s partners for many years, and to Newmont for its professionalism during the sale process.

As a result of the sale, we strengthened our balance sheet, ending the year with \$167 million in cash, cash equivalents, and term deposits, an excellent financial position from which we can meet our current financial obligations and fund planned activities at Donlin Gold. In fact, we expect to have no need to raise capital before making a construction decision. With permitting largely complete, the focus is expected to shift to integrating scoping-level optimization work into an updated study that will serve as the basis for a revised project development plan. With the recent completion of the merger between Barrick, our Donlin Gold partner, and Randgold, we’re looking forward to working with the new technical team and advancing the project in an efficient, responsible, and cost-effective manner. Donlin Gold is positioned to benefit from a rising gold price so that its stakeholders can reap rewards for decades to come.

At the start of 2019, we find ourselves in a uniquely favorable position: a federally permitted large high-grade open-pit gold project located in a jurisdiction that welcomes responsible mining. Add to that a strong balance sheet, time-tested partnerships, and a revival in gold in a volatile world, and the picture becomes clear: NOVAGOLD is strong – and we expect it to get stronger with time.

I’d like to thank all of our stakeholders, particularly Calista and TKC, for their engagement and encouragement; our shareholders for their unwavering support; our partner, Barrick, for its work and commitment; the Corps, the BLM, and the state and other federal agencies for their focus and professionalism; our board for its strategic leadership; and our dedicated employees for their hard work. Finally, on behalf of the board and the entire NOVAGOLD team, I’d like to extend a very special thank you to our esteemed fellow board members, Gerry McConnell and Gil Leathley, as well as David Deisley, our General Counsel, for their expertise and guidance – and congratulate them on their retirement.



**Gregory A. Lang**  
President and CEO  
February 11, 2019

Experience in building and operating large-scale gold assets.

30	Chairman of the Board
40	President & CEO
31	Vice President & Chief Financial Officer
25	Vice President, Corporate Communications
34	Vice President, Environment, Health, Safety & Sustainability
35	Vice President, Engineering & Development



\* Donlin Gold project estimates as per the second updated feasibility study effective November 18, 2011 and amended January 20, 2012. Represents 100% of measured and indicated resources, of which NOVAGOLD’s share represents 50%. Measured and indicated resources are inclusive of proven and probable reserves. Measured resources total 8M tonnes grading 2.52 g/t Au, and indicated resources total 534M tonnes grading 2.24 g/t Au. Proven reserves total 8M tonnes grading 2.32 g/t Au, and probable reserves total 497M tonnes grading 2.08 g/t Au. See “Cautionary Note Concerning Reserve & Resource Estimates” on page 39.

# One of the safest addresses in the world.

Donlin Gold could become one of the largest pure gold mines on Earth – in one of the few parts of the world where mining is welcomed and the rule of law isn't a novelty.



Source: *Fraser Institute Annual Survey of Mining Companies: 2017*, Investment Attractiveness Index





## papa doesn't play poker

**Dr. Thomas Kaplan** | Chairman, Board of Directors

Last November, Greg Lang, Mélanie Hennessey, and I embarked on an “informational roadshow” in Europe. It was our first time meeting existing and prospective shareholders since the advent of several events significant to NOVAGOLD: the sale of our half interest in Galore Creek to Newmont Mining Corporation, the issuance of the Record of Decision (ROD) for Donlin Gold, and the merger of our partner, Barrick Gold Corporation, with Randgold Resources Limited. Each was a positive development for us; combined, they constituted a possible game-changing catalyst for NOVAGOLD – once sentiment rewards the sector in general, and, in particular, gives the premium valuations to those few reliable “unicorns” that have had unalloyed good news to report.

There was a bit of *déjà vu* about the experience, as fund managers newer to the story asked about the genesis of our personal engagements with NOVAGOLD – and why our team had acquired such a fine reputation for doing everything that we said we were going to do. On more than one occasion, we found ourselves highlighting a philosophy of management, including investor relations, that revolved around the importance of credibility and keeping faith with all of our stakeholders. As I said in the quote I contributed to our press release when we made the Galore deal with Newmont:

*This transaction is a win win for all parties. For NOVAGOLD's shareholders, it is the continuation of a laser-focused strategy of unlocking the value of its assets and transforming the Company into a pure play on Donlin Gold, which we believe is the most important gold development story in the industry. Beginning in 2012 with the successful spin-off of NovaCopper (now Trilogy Metals) so that our shareholders could benefit from a rare high-grade copper asset in a premier jurisdiction, to the disciplined and unhurried sale of our interest in Galore Creek to a first-rate acquirer, the Board and management are proud of the fact that their commitments to investors have been scrupulously kept.*

*NOVAGOLD is expected to end this year with over \$150 million in cash, with a further \$100 million of guaranteed payments to follow over the next five years. Should Galore Creek proceed to a construction decision, NOVAGOLD will receive an additional \$75 million. The owners of our shares should be delighted by the fact that to implement its business strategy, our Company does not expect to raise more money until a construction decision is made on Donlin Gold.*

*Reminding ourselves of our consistent refrain that such a decision, in turn, is expected to be taken at a point when gold is apparently resuming its long-term bull market trajectory which should imply much, much higher share prices. For those who believe as we do, that there comes a time when the shares are more precious than the metal itself, this set of circumstances should be seen for what it is: a very rare case of a mining company continuing every day, month, and year to honor its promises to do the right thing for its shareholders.*

Having witnessed the price the industry has paid for its follies, I believe there is a very special place for gold miners who deliver on their promises. Superimposed onto this observation is my equally strong belief that we are in the final stage of a correction within a secular bull market in gold. While that doesn't mean that all gold mining companies will do well going forward, I am convinced that the special nature of NOVAGOLD means that ours will do *extremely* well. As the largest investor in the company as well as its chairman, I believe that the upside case is clear in a bullish gold price environment. Having found or taken control of great assets in silver, platinum, and hydrocarbons that multiplied in value in the past, I believe I really do know whereof I speak. Donlin represents a truly great asset and then some. It is, in fact, *unique*, which makes NOVAGOLD an exceptionally special situation worthy of anyone's portfolio – specialist or generalist. At the moment, such boundless enthusiasm seems far removed from the reality of the marketplace. So as a seasoned player in the natural resources space who strongly believes in the notion that if an investor has covered the *downside* the upside will take care of itself, let me actually begin by focusing first on the downside protections we've put in place for NOVAGOLD's owners in order to ensure that your company, effectively an unexpiring warrant without time decay, is prepared to prosper.

**W**hat is NOVAGOLD? A pure play on a permitted mining project that we believe will constitute the single largest pure gold mine in the world – in one of the few parts of the world where mining is welcomed and the rule of law isn't a novelty. Donlin won't be nationalized, *de facto* or *de jure*. Indeed, the project enjoys tremendous support at the local, state, and federal levels. And we have a well-managed, tier-one partner in Barrick Gold. Moreover, NOVAGOLD has a balance sheet that, between cash on hand and guaranteed receivables, exceeds \$250 million, with maybe more to come. With federal permitting behind us and Galore Creek monetized, NOVAGOLD's current obligated burn rate is nominal at a time when we are flush with cash. If gold prices go down before they revive in full, we simply cannot go out of business under any reasonable scenario – at a time when producers *could* go out of business and, at the very least, companies that are burning cash may have to raise funds at the worst possible moment. Not us. NOVAGOLD would be one of the few precious metals players positioned to survive a downturn without needing to raise capital – or even struggling, for that matter. For any investor, these downside protections provide a true differentiator. Though our stock may or may not go up during such a washout, our durability implies that we will be the equity our shareholders will least worry about in their portfolio. As we often say, we can afford to sleep well at night – if not about the world in general, then at least insofar as our company is concerned. While I don't believe that the fundamentals of gold, or the industry, require a washout to set the stage for gold's next big move higher, these head fakes do happen. This is not a scenario we fear – our team having been in that movie several times over the years, and knowing from experience how to position ourselves financially to profit from market displacements.

Let me go further with those assurances. We have deliberately positioned ourselves in such a manner that we would likely not need to raise capital even if the resumption of the gold bull market is delayed by a temporary downturn in gold price. If anything, under certain circumstances the company might determine that its shares are worth more than the metal itself and buy some back. Your management is nothing if not investor-friendly. Put differently, an investor can expect that, when gold puts in its bottom, we will not have diluted our fully intact optionality to our reserves and, importantly, our optionality to a deposit that likely has many more ounces in front of it than perhaps any other – and certainly any found in a safe place.

These assertions point to the ultimate incongruity of our share price. As of this writing, our shares are trading below \$4. This does not represent a market-clearing price. Those who believe our half of Donlin Gold – which I believe constitutes without a doubt one of the most important development-stage gold assets in the world – to be worth only a billion dollars in today's fire-sale environment are so steeped in negative market sentiment that they have lost perspective. This, of course, is normal investor sentiment at the end of a cyclical downturn. Nonetheless, a billion dollars for half of an asset that we expect could be worth a significant multiple of that amount when gold enters the next phase of the bull market is unrealistic in my view. Think of NOVAGOLD in these terms: a unique asset that cannot, as the saying goes, be "recreated in a garage." Then you'll understand why I believe that buying NOVAGOLD today is like having a second bite of (the) Apple when Steve Jobs came back into the picture. Yes, I believe it is *that* good of an opportunity.

Our high level of conviction doesn't just revolve around the reality that the company controls a rare asset. It's also driven by the fact that – seldom in any industry but particularly in our own – management has done everything right over the past decade since NOVAGOLD very nearly went out of business. Indeed, we can't think



of a single misstep made by our team since then. They haven't made stupid decisions that impaired shareholder value, broken promises, left unchecked any box on their business plan, or forsaken any partner either legally or ethically. They've also been blessed with the benevolence of *la fortuna*, a key attribute of any successful company. Whatever could have gone right for NOVAGOLD has gone right – from having truly decent people as counterparts, to the diligent work of the various government permitting agencies, to delivering with our partners at Barrick better-than-expected drill results in 2018, to having fabulous and lucky management. The latter point is actually quite important. General Eisenhower, echoing the commentary of Cardinal Mazarin and Napoleon, once remarked that he'd "*rather have a lucky general than a smart general. ... They win battles and make me lucky.*" The ideal, of course, is to have both – and we do.

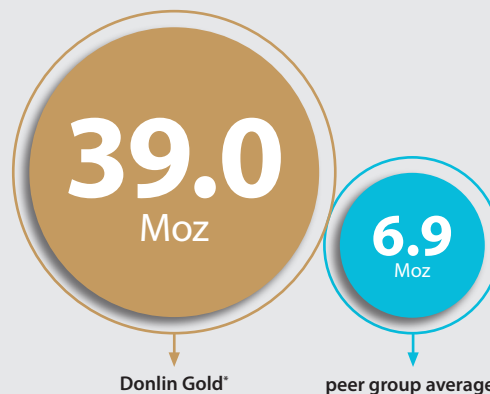
**D**oing what you say you're going to do is a wonderful way to maintain credibility, both domestically and professionally. In our household, my wife pretty much sets the rules for the children and, candidly, me. Over the years, from toddler to teenager, our kids have expected that their mother would give them the parameters by which they could know what is and isn't acceptable conduct. Being indulgent souls, Daphne and I tend to be rather liberal in our parenting and peace along the frontier is not terribly hard to enforce. Thus, by and large, only when a significant line is crossed do I get conscripted into service. As that is not too often, our domestic sport has become an amusing and often elegant dance, where degrees of latitude are carefully measured lest "Papa" be activated. Perhaps because when I am annoyed I apparently have all the subtlety of a Predator drone, my deployment is the scenario everyone wishes to avoid and, if engagement is inevitable, to keep it brief. There's a reason for this sentiment: All participants know that I don't bluff. As it's said within the family: "Papa doesn't play poker." Being that my deterrence tends to be both believed and conveyed in a stentorian fashion, the restoration of calm is generally rapid.

I know many people who are quite different in public compared to their private lives. I'm not one of them. For better or worse, I treat everyone in my ecosystem about the same. Personally, I think I'm always adorable. Others will dispute that. Speaking now for Greg and myself, what does not appear to be in dispute, however, is that we both share a strong commitment to valuing and honoring our word.

We know that reputation is hard won and easily lost. My children know that I feel this way, as do my colleagues and partners. If I say that I'm going to do something, I'll do it. It makes life simpler and allows me to feel, and perhaps actually be, virtuous. It's also good business. Quaint as that may sound in our increasingly transactional world, this code stems from a deep philosophical attachment to a values-based and purpose-driven life. It also comes from being, as the French would say, *bien élevé* ("well brought up") in business by partners who taught me in my youth that your word should be your bond – because it's the right thing to do. It also gives you the reputation that is, after all, the coin of the realm in life. As goes the Russian proverb: "*With lies you may get ahead in the world – but you can never go back.*" Through leading by example, these mentors gave me the greatest gift of all: namely, understanding the art of *practicing integrity*. I use the word "practicing" here because we all know that, being human, we make mistakes for which we should blush. Moreover, it is well-nigh impossible to avoid trade-offs and negotiations. And what is negotiating, other than socially acceptable – indeed institutionalized – dissembling? With that being said, within the realm of common sense, we can attest to the notion that, by and large, codes of conduct really do work.

**T**here are nonetheless multiple perils embedded in this philosophy. First and foremost, it lends itself to being taken advantage of – and occasionally mugged – by those who don't share similar ethical precepts. It also makes

A resource five times the size of the peer group average.



\* Donlin Gold project estimates as per the second updated feasibility study effective November 18, 2011 and amended January 20, 2012. Represents 100% of measured and indicated resources, of which NOVAGOLD's share represents 50%. Measured and indicated resources are inclusive of proven and probable reserves. Measured resources total 8M tonnes grading 2.52 g/t Au, and indicated resources total 534M tonnes grading 2.24 g/t Au. Proven reserves total 8M tonnes grading 2.32 g/t Au, and probable reserves total 497M tonnes grading 2.08 g/t Au.  
 † Peer group data based on company documents, public filings and websites. Comparison group of 17 projects based on large (2Moz P&P cut off), North/South American gold-focused development projects with >75% projected revenues from gold.

being competitive harder at times. For reasons that I perceive better now than in my youth, however, a more philosophical posture – especially when stress-tested in reality – has proven to be a key determinant of success. This approach certainly has not prevented me from being extraordinarily lucky in exploration – the riskiest part of a risky business – or in the fortuitous timing of our more intrepid acquisitions. Such susceptibility for lucky breaks has given my team at Electrum a comparative advantage that we’ve pressed on numerous occasions over the past 25 years. Our track record can attest to the fact that the fruits have much, much more outweighed any limitations presumably imposed by my personal ethos, summed up by Electrum’s corporate motto:

*Intelligence is a commodity;  
Character is a currency.*

One of the best examples of the *buona fortuna* that I believe emanates from this precept was the fruit that fell into my lap in December 2008 when, with the wise counsel of The Electrum Group’s President (and fellow NOVAGOLD Director) Igor Levental, we entered the NOVAGOLD saga as something of a white knight, purchasing the company’s shares for the very first time in order to save it from existential challenges across an extraordinarily broad front. Putting aside the fact that the economic environment at that time was not particularly permissive of any investment at all, our intervention appeared – even to our closest friends – as akin to catching a falling knife. The news on NOVAGOLD was littered with fires that desperately

needed to be put out: debt coming due; class-action lawsuits; environmental disputes with the EPA (regarding a modest gold property that was remediated and divested many years ago); loss of credibility with investors and analysts; and hostility from at least one of its key partners. I could go on. But being that we were not irrational by nature – and that it’s much more fun to speak to what transpired afterward – we reached the conclusion that taking control of the company would prove to be worth it.

Double the gold industry’s average grade.



Donlin Gold average grade\*

**2.24**g/t

world average grade†

**1.12**g/t

\* Donlin Gold data as per the second updated feasibility study effective November 18, 2011, as amended January 20, 2012. Represents measured and indicated resources which are inclusive of proven and probable reserves. Measured resources total 8M tonnes grading 2.52 g/t Au, and indicated resources total 534M tonnes grading 2.24 g/t Au. Proven reserves total 8M tonnes grading 2.32 g/t Au, and probable reserves total 497M tonnes grading 2.08 g/t Au.  
† 2017 average grade of open-pit and underground deposits with gold as primary commodity and over 1 Moz in measured and indicated resources, sourced from S&P Global Market Intelligence.

**A**s a bit of background, I had long coveted exposure to the Donlin story. Watching from a distance from the early 2000s, I felt that I had missed the chance as NOVAGOLD’s shares rose from pennies to several dollars on the back of drilling that produced what were clearly among the best exploration results in the gold industry. I wasn’t the only one who saw this potential; Barrick not only shared my view, but also tried to buy the company in 2006. The failure of their takeover attempt was to have enormous implications for both companies. While it was separate company-specific and financial crisis-related factors that crippled NOVAGOLD and led to our intervention, what was never in dispute was that Donlin Gold constituted a rare combination of both jewel and elephant.

I often tell the story about how I gave my team 48 hours to perform the due diligence on NOVAGOLD before pulling the trigger on the deal – a time frame that should appear to be reckless any time geology is involved. My reasoning was redolent of the joke about the two hikers who run into a bear in the woods: One hiker starts to run, while the other calmly kneels and starts to put on his running shoes. The man already running shouts to his companion and asks what he’s doing. The one tying his laces answers, “Sorry, but I reckon I don’t have to outrun the bear, I just have to outrun you.” Similarly, I said to my team, “We don’t have to believe NOVAGOLD about Donlin; we just have to believe Barrick.” Barrick being a first-rate company, the due diligence from public sources was remarkably straightforward. Only after we had made our investment in NOVAGOLD did we send our chief geologist, Dr. Larry Buchanan, to walk the property and share his impressions. “Is the deposit what we thought at Donlin?” I asked upon his return. “Oh no,” said Larry. Mercifully, he quickly added, “With an 8km strike being 5 or so percent of the property package, the next Donlin could be at Donlin. Congratulations.”

The problems the company faced nonetheless were real and rather daunting. It took some doing to clean up those burdens that made our exercise appear death-defying. But the company was turned around, we raised



capital with allies – especially the Paulson and Soros funds – and NOVAGOLD’s shares, having been priced for bankruptcy, returned by 2010 to the level at which Barrick had made its 2006 bid.

In 2011, not long after Barrick and NOVAGOLD announced the results of the feasibility study on Donlin, I was introduced to Greg Lang, a 25-year veteran of Barrick and its predecessor companies. Greg’s career had been marked by both escalating promotions and successive wins. After running Barrick’s Australian operations, he had been given responsibility for much of the Western Hemisphere where, by the time we had met, he had served eight years as president of Barrick Gold North America. His experience in overseeing the permitting and building of large mines – including the Cortez Hills Mine in Nevada, which impressively came in within budget and on time – epitomized what I was looking for. Having concluded that the Donlin deposit displayed all the makings of the Holy Grail for a gold investor, I sought a CEO who could take Donlin through permitting. When Igor Levental and Gil Leathley spoke about Greg, it seemed fated. His Homestake pedigree, one he shared with Igor and Gil, was an added plus. Indeed, I have always found that most everyone who worked well with the legendary Harry Conger possessed that subtle combination of intelligence and character that I seek in my colleagues.

As it happened, my appetite coincided with Greg Lang’s desire to be engaged with a pure play on the asset he thought could be the greatest gold mine in the world. He was an educated consumer, having sat on the Barrick side of the table during the hostile takeover attempt, and then as a Barrick representative on the Donlin Gold LLC board. We had an immediate meeting of the minds, nodding to each other as we ticked off the attributes that rendered Donlin not just a great development-stage asset, but also possibly the best. Never before, said Greg, had a gold mine started with nearly 40 million ounces in measured and indicated resources.\* Some, including Goldstrike, would eventually reach that. But *started* there? And there was probably more gold, we agreed. For an engineer, of course, for whom grade is king, the high grades and consistency of the orebody, as well as the site’s gentle topography, moderate climate, and the excellent community relations that Rick Van Nieuwenhuysse had nurtured, all made Greg feel that this would be not just a mine, but possibly one of the finest of the dozens he had visited around the world throughout his career. Once in production, we calculated, it could potentially represent the largest pure gold producer in the world.

As if this weren’t enough, the project is in what I believe to be the safest address in the world. Before going into energy in East Texas, I had made my bones in Bolivia, Zimbabwe, South Africa, and the Congo. At the time of Electrum’s investment in NOVAGOLD, I happened to be one of the largest holders of mineral rights in the Islamic world, from West Africa to Pakistan. In due course, by the time I met Greg, resource nationalism had led me to conclude that the era characterized by the mantra “go where the gold is” was coming to a close. Sure, it took longer to permit a mine in the United States, but at least you could keep your property when the marathon ended. You needn’t fear waking up to find out that what you thought you had in your possession the night before was no longer what you owned in the morning – never mind additional factors such as political instability, insurgencies, and terrorism. Finding myself repeating the old Woody Allen line “*I’m not afraid of death; I just don’t want to be there when it happens,*” I realized that the credo that had guided me through the years – namely, “*acquire category-killer assets that give the greatest leverage to the investment thesis*” – needed the following corollary: “*...in jurisdictions that will allow one to keep the fruits of that leverage.*” With a sentimental tear to acknowledge the more swashbuckling successes of my youth, I shifted Electrum’s portfolio from “half North America/half ‘other’” to “90% North America.”

I’ve never looked back. Apart from the fact that the list of previously investible countries has literally imploded, destroying billions of dollars of value in even well-managed companies and proving Electrum’s strategic withdrawal to North America to be both right and luckily timed – Greg and I were now becoming more convinced that Donlin could be not just the *best* asset in the gold development space, but literally *unique*.

*Uniqueness* is a bold claim. But the contention is fairly straightforward. We have yet to find an asset that compares in its combination of size, grade, exploration potential, production profile, all-in cash costs, mine life, and jurisdictional safety. In other words, what I believe to be the greatest undeveloped gold deposit in the world is located in the second-largest gold-producing state, in one of the safest jurisdictions in the world. I consider Donlin Gold to be the very definition of *unique*. Donlin is an asset that, when the sentiment in this

\* Donlin Gold project estimates as per the second updated feasibility study effective November 18, 2011 and amended January 20, 2012. Represents 100% of measured and indicated resources, of which NOVAGOLD’s share represents 50%. Measured and indicated resources are inclusive of proven and probable reserves. Measured resources total 8M tonnes grading 2.52 g/t Au, and indicated resources total 534M tonnes grading 2.24 g/t Au. Proven reserves total 8M tonnes grading 2.32 g/t Au, and probable reserves total 497M tonnes grading 2.08 g/t Au. See “Cautionary Note Concerning Reserve & Resource Estimates” on page 39.

sector improves even slightly, we believe will be one of *the* “go-to” undeveloped assets in the space. This is our objective. For Electrum will only make money to the extent that our co-investors will. And we want to make *a lot* of money.

In order to meet this objective, we have *not* done a few basic things. First, we’ve never been tempted to use our cash or equity to do something stupid. Sadly for the fortunes of our industry, using common sense has been a differentiator in and of itself. As Voltaire put it, “*Common sense is not so common.*” If, by every metric, you believe you own one of the best assets on the planet, you don’t simply “deworsify,” as the famed Peter Lynch put it so well. Deal junkies we are not.

The second thing we haven’t done is over-promise and under-deliver. We’ve told the truth and done everything we said we were going to do. *Everything*. Before we were approached with the offer to do a capital-raising the last time, in January 2012, the newly minted CEO and Chairman of NOVAGOLD laid out a clear roadmap for our investors:

- ▶ **We promised to spin off our Alaskan copper assets.** That company, spun off as NovaCopper and now trading under the name Trilogy Metals to reflect its polymetallic attributes, has performed well – with hopefully much more good news to come.
  
- ▶ **In order to make NOVAGOLD the pure play on Donlin in the marketplace, we promised to sell Galore Creek, a beautiful asset but “a project too far” for a development-stage company with a flagship as ambitious as Donlin Gold.** We could have let Galore go in a fire sale. We didn’t. We sold it for real money in a market where win-win monetization has been the exception, not the rule. The cash position we find ourselves in, with more guaranteed and potential payments to come, is the envy of our space.
  
- ▶ **We said that, if given an opportunity to show the flexibility of the deposit, we would take it.** The drill results Donlin Gold delivered earlier this year blew through even our own expectations. Who gets 130 meters of 6 grams, and 64 meters of 5 grams? We reckon these were some of the best drill results reported by any project for quite a while. There’s potentially a lot more gold at Donlin along the mineralized belt. I believe my chief geologist was right when he suggested that “the next Donlin could be at Donlin.”
  
- ▶ **Finally, we stated that this project would be permitted.** When anyone pushed back, assuming Donlin must be in the same category as Pebble and that, as a consequence, permitting in Alaska would be a nightmare, we just shrugged our shoulders. The facts suggested the opposite. All we have ever heard from our local stakeholders and partners, the Calista Corporation and The Kuskokwim Corporation (TKC), were strong indications of support. And, after a thorough search online, we couldn’t find any signs of brewing opposition. In fact, the only references to the project in 2012, from a media standpoint, were positive. Six years later, we received the first-ever joint federal record of decision – delivered in a formal ceremony in the presence of the lead agencies, the U.S. Army Corps of Engineers and the Bureau of Land Management (BLM) – that included input from those who held the reasonable concerns that any big project would bring (but no substantial opposition). For those who know this industry, that’s an amazing occurrence practically anywhere in the world. And in a referendum that coincided with the November midterm elections, Alaskan voters rejected a proposition that would have added additional complexities to a resource development permitting process that is truly comprehensive and respectful of the environment and all its stakeholders.

**T**he process leading to the ROD took *six years*. Not surprisingly, our team adopted an expression for NOVAGOLD’s steadfastness – “The Tortoise and the Hare” – highlighting the phenomenon of more advanced and higher-profile projects getting picked off by political turmoil while we chugged along, steadily but determinedly, to the finish line. As an environmentalist myself, I can assure you that we did not cut corners. And we never sought to do so. The process was worth every penny and every year to get it done right. As an investor, I can tell you that having permitted what may become the largest pure gold mine in the world, in a safe place in the world, is like catnip. I reckon a lot more investors will own NOVAGOLD in due course. The only question will be at what price they purchase their shares. As for myself, having been in the story for 10 years, I have never been more excited about NOVAGOLD. I feel no investor fatigue or any of that stuff. I won’t claim that this is the

\* As seen in the February 20, 2018 press release entitled “NOVAGOLD’s Donlin Gold Project Reports Excellent Results from 2017 Drill Program.”

case with all investments, but it pretty much sums up my attitude when I like what management is doing, the projects are diligently making their way up the value chain, and no evidence exists to contradict my thesis on the investment.

If anything, in the case of NOVAGOLD, my sentiment has been mightily reinforced by the state of the gold industry. Let's review some of the reasons why:

- ▶ Over the last decade, the average grade of gold mines has collapsed by half – and I suspect that it will fall below a gram per tonne. Donlin is multiples of that. So much for the quality (and hence lower operating cost) side of the equation.
- ▶ During the same period, there have been fewer gold discoveries of any size (by that I mean more than 5 million ounces) than in recent memory. Donlin Gold has 6 million ounces of inferred mineral resources!\*

Unlike with hydrocarbons, the mining industry doesn't possess tools such as 3D seismic. If a discovery is to be made, it's usually by prospectors on donkeys (or perhaps only slightly more likely now, 4-wheel drives). And if those 1,000:1-10,000:1 odds are successfully bucked, it could take 20-plus years to take the project up the value chain from discovery to first pour.

- ▶ It is thus no accident that megamergers are happening in the gold space. Whether it's Barrick with Randgold or, most recently, Newmont and Goldcorp, the big guys simply have no choice but to merge and buy assets. They don't necessarily want to; they have to. With no real discoveries of size and the years if not decades it takes to put them into reserves, the majors are burning through their reserves faster than they can replace them. Unlike with peak oil, the peak gold that Goldcorp's Chairman, Ian Telfer, has spoken about is not an illusion. The gold industry has none of the variables that have so rocked the hydrocarbon markets. No new technologies have emerged, such as fracking or horizontal drilling, to effect game-changing productivity. Even if there were, it wouldn't matter: There are simply no known vast shale-like resources to be tapped. In many ways, the horse has not only already left the barn, the barn door has been closed.
- ▶ Jurisdictional risk has gone from being regarded as an occasional nuisance to an existential threat. Were I to name the jurisdictions that have been struck off my investible list, it would hurt to hear it. Projects that were slated to go on line won't – and some that did have been subjected to mine closure due to social disruption or political fiat. Where allowed to continue, some companies have been extorted (at times with the threat of violence) out of most, if not all, of the financial rewards due to them for their risk-taking and value enhancement – what I call “stealth nationalization.” In an increasing number of places, the brazenness of the confiscatory policies is such that “stealth” would constitute a charming euphemism. Because it is politically impossible for neighboring countries to hold an investor-friendly line, there will assuredly be more such offences in the future. This wave, after all, is occurring during relatively good times. As I have come to know most of our investors and consider them kindred spirits, I feel compelled to share yet another dire observation – posed as a question: What are the odds that the governments of gold-producing countries – which are often dependent on the price of multiple raw materials – will let the precious metals miners keep the windfall that may come if we have another severe economic crisis and gold powers higher while most commodities collapse? It's not so difficult to imagine. That dichotomy actually happened during the last financial crisis. Gold – a currency – held its own or went up while much more economically sensitive commodities fell.
- ▶ While miners can't find gold, and governments are continually seeking for ways to debase their currencies, central banks themselves have reportedly gone from sellers of gold to net buyers. As what was for decades a source of supply has reversed to become a new source of demand, this pivot by the official sector is momentous. Central bankers, quite cognizant of the fragility of their paper reserves, are less likely to sell when gold prices resume their long-term uptrend. Human nature is to not take a career risk in a rising price environment. If anything, it's to add more. This is especially so as the People's Bank of China continues to buy. The uncharted waters in which monetary and now fiscal policy have veered make for fascinating scenarios. Consider this to be but one of the dozens of black swans darkening our skies.

\* Donlin Gold project estimates as per the second updated feasibility study effective November 18, 2011 and amended January 20, 2012. Represents 100% of inferred mineral resources, of which NOVAGOLD's share represents 50%. Inferred mineral resources total 92.2M tonnes grading 2.02 g/t Au. See “Cautionary Note Concerning Reserve & Resource Estimates” on page 39.



Lest there be no misunderstanding regarding this last point: I do not believe that a black swan is necessary for gold to do well. In fact, as a parent and a citizen, I would hate for *any* black swan to alight. I'm simply more than persuaded that the fundamentals suggested by Economics 101 – namely, that of supply and demand – point to a new, far higher equilibrium price. Similarly, do we need a fall to \$900 before gold surpasses \$1,900? We do not. But that doesn't mean that it cannot happen. Shake-outs before a blistering move higher are classic chart patterns. Think of a V-bottom and you may recall a few. Being that, once again, I'm of the prosaic view that if you take care of the downside, the upside will sort itself out – a discipline that has served me well in the 25 years I have been in this business – I have, again, found my salvation in NOVAGOLD.

**T**he last part of this letter consists of an appraisal of one of the most frequently asked questions of us these days: How will the merger of Barrick with Randgold play out with regard to Donlin? At the very least, these thoughts will highlight and reaffirm the fine positioning of your company, albeit through a different, more kaleidoscopic, prism than those I have used previously.

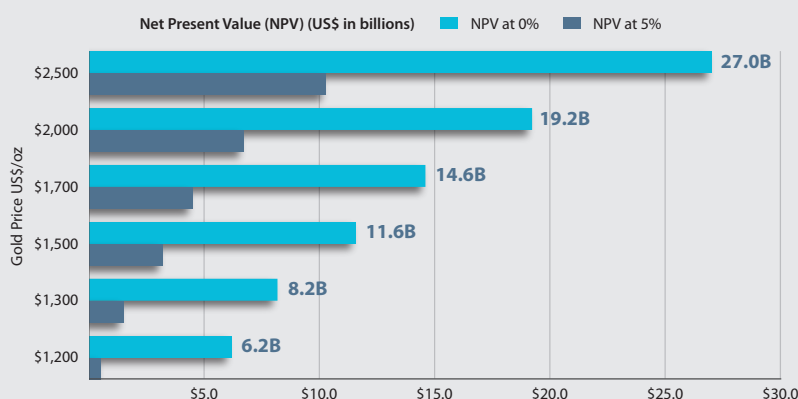
I believe that the merger has only added to our good fortune. In fact, I call it our “white swan,” as a re-energized Barrick will only serve to put a new focus on Donlin – one way or the other. If we take it up the value chain together in preparation for higher gold prices, that will be great. If they choose to sell their 50% to someone more excited about what Donlin represents, also great. Of course we cannot speak for our partner and will not predict how our common project will shake out in their priorities, but I will say this: In terms of the investor analysis, *it really doesn't matter; I believe all scenarios are favorable for NOVAGOLD.* How can that possibly be true? Let me explain – in a sequential fashion that paraphrases some of our exchanges when we discuss our approach to Donlin, and how Barrick might see their options:

*When will you build Donlin?* We have a strategy regarding our flagship asset's future, which has been articulated many, many times: Donlin will be built when the gold price resumes its long-term uptrend and we can make not just an acceptable return, but a spectacular return.

So we're clear: It is my belief that practically no gold mine should be built during this twilight period, which I see as a midterm correction during a long wave bull-market cycle. Those who say you have to build as fast as possible to capture a cycle, regardless of a market price for gold, are missing the plot. It's actually a myth. Barring a few super high-grade freaks of nature, to my mind it is reckless *speculating* to build a gold project today, and prudent *investing* to wait for higher prices. For there is truly no opportunity cost to taking one's time. We are not in consumer goods or technology or other industries in which there exists a first-mover advantage to get to market. It really doesn't exist in gold. In fact, the opposite is true: It pays to be patient. Having bucked the 10,000:1 odds to find something really big, the question is not “How quickly can you go into production?” but rather “*Why not wait?*” Why build a mine and sell gold at \$1,200 when you can do

the work necessary to optimize the operation while gold climbs back to \$1,600 or \$1,700? The pushback to this fundamentally optimistic assertion is “Yes, but how do you *know* gold will rise?” My response is that I don't know for sure, but I strongly believe that it will surpass the old highs and that, if I am by chance wrong in my timing or fundamentals, then I pray to heaven not to be burdened with a producing mine, depleting my resources during a period of low or declining prices. Can the real way to make money in mining possibly be to sell your endowment at any price, or would it rather be to believe in gold mining enough to be paid appropriately for it? *And if you aren't going to be paid appropriately for it, should you want to build it at all?* I don't have to add that, were the price of gold to actually go down before it makes new highs, the company building a mine could go out of business. This is, of course, the worst of all worlds: rushing to production at

### Donlin Gold's upside value with higher gold prices.



Donlin Gold estimates as per the second updated feasibility study effective November 18, 2011, as amended January 20, 2012. All dollar figures are in USD, represent 100% of the project of which NOVAGOLD's share is 50%, and reflect after-tax net present value (at a 0% and 5% discount rates) of the Donlin Gold project using the feasibility study reference date of 1/1/2014 (start of Year -05) as the first year of discounting. Estimated project development costs of approximately \$172M to be spent prior to the reference date are treated as sunk costs. At a 5% discount rate, the net present value is: \$547M @ \$1,200 gold; \$1,465M @ \$1,300 gold; \$3,147M @ \$1,500 gold; \$4,581M @ \$1,700 gold; \$6,722M @ \$2,000 gold; and \$10,243M @ \$2,500 gold. The project requires a gold price of approximately \$902 per ounce to break even on a cash flow basis.

\$1,200; getting crushed or worse if gold goes to \$900 before going to \$1,900; and then having a bankrupt mine or a massively diluted vehicle that is then bought by, I don't know, a savvy player like Mark Bristow – or even me, for that matter – in order to reopen or recapitalize it for when higher prices return. *It makes no sense.* It is an unforgiving error of commission because it simply does not need to happen. Unless, that is, one operates in a jurisdiction that has “use it or lose it” provisions. I would argue, however, that if you have that kind of gun to your head, there's a good chance you're already dead – just not buried yet.

Given the work ahead to best position and prepare Donlin for future development, time is on our side. What do we lose by waiting? Nothing. We've seen that just sitting can prevent disaster. What about the argument that one could lose the juiciest part of an upswing in prices by not being a producer? Let's play that out. If I consider selling forward at a much higher gold price, I would be locking in a fairer price for my endowment than if I sold it at \$1,200 with all its attendant drawbacks. That has to be better than selling at the whim of the market. Philosophically, I do not love hedging. I believe that there are times when it is smart and times when it is silly, but just being rationally objective, I would rather consider hedging some gold at higher prices as part of a project financing than selling gold at today's prices. Of course, mentioning the word “hedging” at these higher prices, especially (ironically) to those who have no problem parting with the company's gold at \$1,200 in their pursuit of production at any price, is likely to prompt a vigorous debate. The outcome of the Socratic dialogue, however, usually ends up with my winning the argument – because I have logic on my side. In other words, gold bulls get it; those who aren't bullish on the fundamentals for gold sometimes don't. But that's fine. If you aren't constructive on the price of gold, you aren't going to buy our stock anyway. Nor should you. I know I wouldn't either. As we say, “Bears don't buy shares.”

*What will the new leadership of Barrick do?* It's way too early to tell, but not too early to game it out. Let's look at some possible scenarios:

- ▶ Barrick decides it has plenty on its plate and, for whatever reason, decides to sell their share of Donlin Gold. We would be thrilled, as it would trigger a sale process that would shine a very strong light on the unique virtues of Donlin. As Donlin is accretive in terms of pretty much any acquisition metric – including the big ones like reserves, production, grade, cash costs, mine life and jurisdictional risk – highlighting these facts with a sale process would be likely to strengthen our share price. As we have a right of first refusal, we would help Barrick sell their share and, with partners, may consider participating in its purchase. Owning more of Donlin would amount to a gift, and we believe that there are plenty of motivated buyers who would want to participate in the story – and work with us to promote a narrative in a far more invigorated way than we've experienced heretofore with the pre-merger Barrick.
- ▶ Barrick decides to continue to frame the narrative and talk about Donlin as we have: a unique asset with great leverage to higher prices in the future – in a jurisdiction that has never caused them grief. This will be great for us too. It's one thing for NOVAGOLD to sing about the virtues of Donlin. But Barrick's reach is farther and deeper, and its influence will only be accentuated by the merger. Knowing the new management of Barrick, I can't see them educating the myriad analysts who cover them without insisting that they should get NOVAGOLD's market-driven valuation of Donlin factored into their own valuation. After all, with Galore gone, it's pretty much an apples-to-apples equation. This works for us and, indeed, is likely to lead to a virtuous circle if our shares rise and Barrick receives equal credit for its share, leading them to point that out and so on. If anything, the Newmont/ Goldcorp tie-up, which is more heavily tilted toward safer jurisdictions, adds a competitive impetus to Barrick highlighting its own premium North American assets.
- ▶ If Barrick is inclined to keep Donlin, and the Randgold mantra of a 20% IRR at \$1,000 gold is upheld in North America as it was in Africa, Donlin will not make the cut. So we'll have to wait for higher prices to materialize – as well as the likely revision of that particular criterion for ultra-large and long-lived mines in safe jurisdictions. This clearly works for us. After all, it's the embodiment of our strategy!
- ▶ If the optimization is so successful as to make the economics sing at prices that would make Barrick wish to proceed with production, that revelation works for us as well. It could also make us

the premier takeover candidate in gold. I may disagree with the strategy, but I won't be disagreeing with all of the M&A activity around us. The ultimate outcome would be beyond my control, as a 50% interest in Donlin would be tantalizing to anyone inclined to remain in our industry.

► Barrick could be proactive and approach us to merge. The problem here would be that the virtues that make NOVAGOLD a unique pure-play vehicle would be diluted by the broader Barrick portfolio. Barrick could, of course, offer to buy us for cash, but I would ask you: Where else would one be able to deploy the money so exquisitely in a pure play on what we feel represents the best of the best, and the safest, that this industry has to offer? Unless we are really paid for the future, it would make no sense. Barrick could attempt a hostile takeover (as it did in 2006), but I really don't believe they'd go down that route for many reasons, including the fact that we proved to be a most loyal partner during Barrick's darkest times, not to mention that the ethics of the matter would be fraught. Do ethics matter in today's world? I believe they do. And in any event, enough of our shareholders are a fiercely independent lot.

In essence, no matter how one games this out, we believe that NOVAGOLD and its shareholders emerge as the winners. Our ideal scenario is for Barrick – or anyone else that steps into their shoes – to continue optimizing Donlin and prepare the project for the day we all decide to make a construction decision. Under that scenario, which we consider likely, gold prices should be significantly higher. It would be reasonable to expect that our

share price in that case would likewise be a lot higher. We would hope that the shares of our partner would be a lot higher as well, while their shareholders, feeling more comfortable about balance sheets, will by then be reaching for high-quality growth in the one part of the world in which nobody has experienced problems of resource nationalism or instability. And we will all own a mine throwing off dividends for generations.

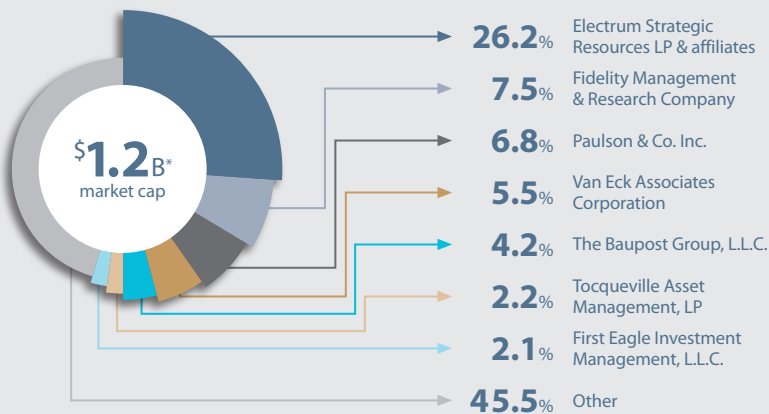
Such a remarkable positioning clearly did not happen in a vacuum. In readying ourselves to be able to survive the worst and outperform during the good times to come, I wish to express my personal appreciation to all of those who make this journey so rewarding. To everyone who contributed to achieving an incredibly smooth outcome on permitting, you have my deepest thanks. I am especially grateful to Calista and TKC for their steadfastness in working so constructively

with Barrick and the Donlin Gold team during this process. But the thanks extend as well to all of the state government entities – from the Governor's office down to the local level – that have been so helpful in assisting the Corps and the BLM in their task. In the successful conclusion of the sale of Galore to a fine company, Newmont, we were blessed to have great collaborators such as Teck Resources Ltd. and the Tahlтан Nation, with whom we kept faith by delivering an equally excellent partner. For a fruitful drill program at Donlin, and all individuals working on the optimization work, I am grateful to Barrick and the Donlin Gold team. Lastly, on a more personal note, I wish to invoke Aristotle's maxim that "Friendship is like a partnership" and thank my friends and partners – the management team led by Greg Lang, the board of NOVAGOLD, and our wonderfully supportive and value-adding shareholders – for making the role of Chairman a joy rather than a duty, as together we take up the value chain the single most exciting asset in the gold space.



**Dr. Thomas Kaplan**  
Chairman, Board of Directors  
February 11, 2019

#### Long-term shareholders who understand and share our investment thesis.



\* Market Capitalization based on 325.1 million shares issued and outstanding and NG share price of \$3.64 as of January 25, 2019. Shareholder positions are based on the latest 13-D, 13-F or 13-G filings as of September 30, 2018.





The Donlin Gold project is 10 miles north of Crooked Creek in the historic Kuskokwim Gold Belt of southwest Alaska, where gold was first discovered more than 100 years ago.



# Q

## Why should an investor be interested in NOVAGOLD?

# A

NOVAGOLD owns 50 percent of the Donlin Gold project, one of the largest and among the highest-grade open-pit gold development projects in the world. With approximately 39 million ounces of gold in the measured and indicated resource categories grading 2.24 grams per tonne\* – and an exceptional exploration potential along an eight-kilometer gold mineralized belt – Donlin Gold is located in Alaska, a jurisdiction with a record of support for responsible resource development. The recently completed federal permitting process, which resulted in the issuance of a joint Record of Decision (ROD) by the U.S. Army Corps of Engineers and the Bureau of Land Management (BLM), has substantially de-risked the project. When the time is right, Donlin Gold has the potential to produce, on average, more than one million ounces of gold per year over a 27-year mine life, which would make it one of the world's largest modern gold mines.

While these attributes make NOVAGOLD compelling for investors looking for size, grade, scale, resource growth, and jurisdictional safety, there's more to consider. Mine development and operation is a complex business, and we're fortunate to have a great partner in Barrick. Among the largest companies in the gold mining industry, Barrick has expertise in project development and operation. And we're blessed to have Calista and TKC, owners of mineral and surface rights, as Native Corporation partners.

Investors should also be encouraged that the recently completed drill program at Donlin Gold delivered better-than-expected results, providing valuable input to advance project optimization work to improve capital efficiencies and enhance the project's execution plan. These results are indicative of the resource potential that exists at Donlin Gold.

We are also strong financially. With a treasury of \$167 million as of November 30, 2018, and \$100 million expected to come from Newmont over the next five years with an additional \$75 million contingent on a construction decision (from the recent sale of our 50 percent share of the Galore Creek project), we're in a strong financial position to carry out all requisite activities at Donlin Gold and meet all of our financial obligations – without going back to shareholders for more funding.

Finally, NOVAGOLD has an experienced management team with an unparalleled track record in building and operating major mines, as well as a highly regarded board with strong ownership representation, a commitment to sound governance principals, and a firm belief in doing things right from the standpoint of technical excellence, safety, and environmental stewardship. NOVAGOLD is a compelling opportunity for investors interested in a company committed to value creation in the gold space.

\* Donlin Gold project estimates as per the second updated feasibility study effective November 18, 2011 and amended January 20, 2012. Represents 100% of measured and indicated resources, of which NOVAGOLD's share represents 50%. Measured and indicated resources are inclusive of proven and probable reserves. Measured resources total 8M tonnes grading 2.52 g/t Au, and indicated resources total 534M tonnes grading 2.24 g/t Au. Proven reserves total 8M tonnes grading 2.32 g/t Au, and probable reserves total 497M tonnes grading 2.08 g/t Au. See "Cautionary Note Concerning Reserve & Resource Estimates" on page 39.



"Not at all," said his father. "The Golden Chicken is a good guy—a *superbird*. Whenever there's trouble, he, um, swoops down from those there mountains like lightning and saves the day."  
"Re-e-e-ally?" said the chick.  
"Yes, really. . . . Now, why don't you go outside and play?"

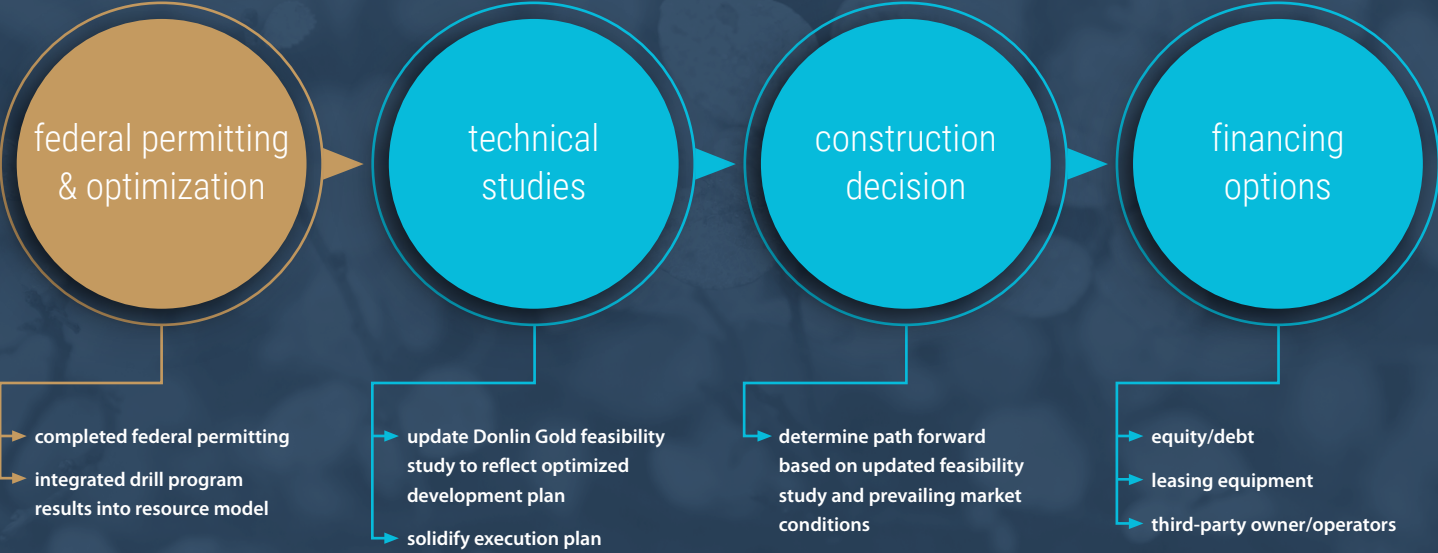


Storytelling and singing – along with traditional games like stick gambling – help encourage language learning at the annual Tahltan Literacy Camps.



# Advancing Donlin Gold up the value chain.

2018 saw the receipt of the joint federal Record of Decision and key permits.



# Q

## What's next for the Donlin Gold project?

# A

With permitting and scoping-level optimization work largely complete, when the time is right, the next steps will be to update the feasibility study and revise the project development plan. In the meantime, NOVAGOLD and its partner Barrick will commence the additional fieldwork and more detailed engineering in 2019 required to obtain the Alaska Dam Safety permits. To do that, NOVAGOLD anticipates spending approximately \$24 million to fund its share of the project, approximately \$13 million on permitting and associated activities and \$11 million on corporate and general administrative expenses.

The scoping-level optimization work completed to date, coupled with the receipt of the joint federal ROD from the Corps and the BLM, as well as the key federal and state permits, gives us the flexibility when the time is right to update the project development plans, incorporating the information gleaned from

the 2017 drill program that further improved the geological interpretation, and also look at ways to minimize initial capital outlays while optimizing the overall execution of the project.

*"The Corps and BLM in Alaska are pioneering this joint decision to show the public that their federal government can work together and make sound decisions on environmental reviews."*

Col. Michael Brooks, U.S. Army Corps of Engineers  
Alaska District former Commander



# Q

## What steps are involved in updating the 2011 feasibility study and how long would it take?

# A

An updated feasibility study will serve as a master plan for the Donlin Gold project (which encompasses key areas such as infrastructure, mining, and processing) and would take approximately two years to complete. The updated Donlin Gold project feasibility study would include the following key areas:

- ▶ develop an RFP to select the engineering firm(s)
- ▶ review and identify any changes as a result of permitting
- ▶ confirm and finalize key technical assessments
- ▶ establish process flow diagrams, layouts, and design criteria
- ▶ finalize geologic and resource model with data from the 2017 drill program and develop production plans
- ▶ conduct further metallurgical work to confirm technical design parameters
- ▶ perform required field work
- ▶ finalize project execution plan
- ▶ develop capital and operating costs
- ▶ complete project economic analysis

Given the time invested to date and our best-practices approach, we will continue to be prudent in our execution and look to achieve the highest value given the scarcity and unique nature of the Donlin Gold project.

The outcome of this work should help the owners to advance the project toward a construction decision.

*“Timely processing of environmental reviews and authorization decisions for proposed major infrastructure are being achieved as a result of cooperative relationships between Federal agencies.”*

Joe Balash, Bureau of Land Management  
Assistant Secretary for Land and Minerals Management





In 1844, Russian explorer Zagoskin recorded the name of Crooked Creek as "Kvikchagpak," or "great bend" in Yup'ik, and as "Khottlyno," or "sharp turn" in Ingalik Indian. Pink and chum salmon return to the stream every summer to spawn.



# A healthy treasury.

NOVAGOLD's cash position, with more guaranteed and potential payments from the sale of Galore Creek yet to come, is the envy of our space.

treasury

**\$ 167<sub>M</sub>** ] → 2018

**\$ 100<sub>M</sub>** ] → over the next five years

**\$ 75<sub>M</sub>** ] → upon construction approval

→ cash and term deposit balance on November 30, 2018

→ proceeds from the sale of Galore Creek\*

budget forecast

**\$ 24<sub>M</sub>** ] → 2019

→ anticipated expenditures disclosed on January 23, 2019†

\* Formerly 50%-owned by NOVAGOLD. Deferred compensation on sale of Galore Creek includes \$100M; \$75M on earlier of PFS or 3 years no later than July 27, 2021 and \$25M on earlier of FS or 5 years no later than July 27, 2023.

† Budget includes \$13M Donlin Gold and \$11M G&A.

# Q

## What factors do you believe will influence the decision to construct the Donlin Gold mine?

# A

NOVAGOLD believes that Donlin Gold is advancing at a time when gold is re-emerging as a safe haven in the climate of uncertainty with respect to the long-term strength of the US dollar and the future of the world economy as a whole. At the same time, gold producers around the world continue depleting their gold reserves and with that, their endowments (which are shrinking) are also becoming lower grade. In addition, with fewer discoveries, particularly in stable geo-political jurisdictions, gold companies need to deal with issues related to real and/or de-facto expropriations of their assets in risky jurisdictions. These trends are not new and they can certainly produce an environment for a perfect storm for projects such as Donlin Gold. A federally permitted large high-grade open-pit project located in a geopolitically favorable mining jurisdiction, advancing up the value chain, can be increased in value substantially under that scenario. That's when Donlin Gold partners would make a construction decision. In an environment where escalating gold prices would yield a healthy return on investment and higher share prices would reduce the cost of capital to build the mine. The outcome should be a win-win for all concerned.

Does NOVAGOLD have the capacity to wait for some confluence of these circumstances to take place? Definitely yes. The company is on a clear path of taking Donlin Gold up the value chain with funds it has available. With \$167 million in the bank, NOVAGOLD has sufficient financial resources to carry out all of its planned work and fulfill its other financial obligations. The result should be a better, more valuable project ready for a construction decision in a much more favorable macro-economic environment than we have today. It is reasonable to expect that the company's share price could be higher than it is now in such circumstances, and that there would be ample opportunities for other forms of attractive project financing to be available. That would be the time to make a construction decision.

*"In a world where miners are depleting reserves and average gold mine grades are falling, we see Donlin as a unique asset – waiting for the right gold price and investor environment for its joint venture owners to press go!"*

John Bridges, J.P. Morgan Analyst,  
October 4, 2018 Q3 report



# Q

## How will NOVAGOLD finance its 50-percent share of Donlin Gold's capital cost?

# A

Donlin Gold is expected to advance toward construction at a time when the price of gold should be substantially higher than it is today. Furthermore, in that environment, the project should have superior cash flow generating capacity and, with that, a greater number of debt financing options as well. Consequently, we expect the entire financing package to be a lot more shareholder friendly than we could have today and, when the time is right for the project to advance toward construction, it is our belief that NOVAGOLD and its partner Barrick would have an attractive range of available financing options, given the quality of the project and the optimization work that is likely to be completed by that time. The Donlin Gold partners have publicly-stated that they are willing to be patient to wait for the right market conditions to advance Donlin Gold toward construction.

In the meantime, NOVAGOLD and Barrick are working to further optimize the project. Conveniently, the drilling that was completed in 2017 provided valuable geotechnical and structural data to support these efforts. As such, the owners will continue to

pursue tangible options toward reducing initial capital costs and advancing Donlin Gold, which, coupled with a superior gold market environment, should yield improved returns for the owners. In that regard, both NOVAGOLD and Barrick are perfectly aligned.

*"As one of the largest undeveloped gold deposits in the world, Donlin Gold represents exceptional optionality within our portfolio. Now, with key permits in hand, we can concentrate on further exploring ways of reducing initial capital and unlocking the value of this asset for all of our partners, in keeping with our deep commitment to community engagement and environmental stewardship."*

Rob Krcmarov, Executive Vice President,  
Exploration and Growth, Barrick Gold Corporation



For generations, communities have depended on the annual salmon runs on the Yukon-Kuskokwim River, with most families putting away hundreds of pounds of fish every summer.





# A benefit to everyone.

The Alaskan mining industry does more than just provide jobs for a few – it enhances economic development and strengthens communities across the entire state.

total direct and indirect jobs attributed to the Alaska mining industry

→ **9.0K**

total direct and indirect payroll

→ **\$700M**

payments to Alaska Native Corporations

→ **\$250M**

local government revenue through property taxes and payments in lieu of taxes

→ **\$34M**

a strong focus on local Native Alaskan workforce



Source: Alaska Miners Association – *The Economic Benefits of Alaska's Mining Industry*, March 2018.



# Q

## What contribution can Donlin Gold make to the well-being of the local communities?

# A

Donlin Gold is in the Y-K region of southwestern Alaska, an area where Alaska Native residents depend largely on subsistence living and a traditional way of life. Many of the communities are in remote locations, which means the cost of living is extremely high – and employment opportunities are limited. Local youth often move to cities to attain employment, education, and workforce training, which in turn weakens the rural economies. These are some of the poorest communities in all the U.S. But Donlin Gold can help through economic stimulus and good job creation. The project could act as an exceptional incentive for people to stay in and return to their Y-K region communities, further enhancing economic development while remaining consistent with traditional ways of life.

Throughout the six-year National Environmental Policy Act (NEPA) process, the Corps and other federal and state agencies were committed to making the best use of public input. The Corps held EIS hearings in 14 villages during the scoping phase in 2012 (which itself extended over four months), followed by 16 EIS hearings during the draft EIS phase in 2016. Newsletters were distributed regularly to more than 12,000 people, 66 tribes were invited to participate in the EIS process, and multiple workshops were held to provide more in-depth project information in key areas of interest.

Donlin Gold has participated in hundreds of community meetings throughout the Y-K region to highlight the benefits of the project and respond to questions around permitting and other project activities. The Donlin Gold project has made a real connection to the Y-K region and its people, with more than 400 meetings since 2010. In these community outreach efforts, we have spoken to many residents who are looking forward to employment opportunities and economic development in the region for the benefit of both their children and their grandchildren, as it will allow them to continue living in their communities. Moreover, youth are motivated to further their education and achieve a higher level of training in order to participate in the future that Donlin Gold offers. This project would create thousands of jobs for residents living in areas where there are currently very few to no employment opportunities.

*“Together, we have gone above and beyond the minimum state and federal requirements to ensure this project protects our lands while economically benefiting our shareholders and region for generations to come.”*

Maver Carey, former President & CEO,  
The Kuskokwim Corporation

# Q Beyond the 39-million-ounce resource\* already identified, what's Donlin Gold's exploration potential?

A Current reserves and resources occupy only three kilometers of an eight-kilometer mineralized belt, and a portion of the total land package. There's extensive exploration potential at Donlin Gold, both along strike and at depth. We believe that Donlin Gold's mine life, which is currently measured in decades, could be substantially extended with more exploration in the area.

Clearly the existing resource endowment of nearly 40 million ounces\* is more than enough to commence construction when the time is right. Once in operation, the owners will be able to re-commence exploration with the objective of extending the life of the project beyond 27 years. We believe there are many possibilities to find more gold at Donlin Gold. It's an added benefit that we and our partners Calista and TKC already have all the requisite mineral and surface rights.

*"We now have a unique project permitted for development in Alaska, one of the most business-friendly jurisdictions in the world, which welcomes socially and environmentally responsible mine development. With its significant size, excellent grade and outstanding exploration potential, we believe that Donlin Gold has the potential to become a pacesetter in the precious metals mining industry for decades to come."*

Gregory A. Lang, President and CEO, NOVAGOLD



\* Donlin Gold project estimates as per the second updated feasibility study effective November 18, 2011 and amended January 20, 2012. Represents 100% of measured and indicated resources, of which NOVAGOLD's share represents 50%. Measured and indicated resources are inclusive of proven and probable reserves. Measured resources total 8M tonnes grading 2.52 g/t Au, and indicated resources total 534M tonnes grading 2.24 g/t Au. Proven reserves total 8M tonnes grading 2.32 g/t Au, and probable reserves total 497M tonnes grading 2.08 g/t Au. See "Cautionary Note Concerning Reserve & Resource Estimates" on page 39.



Children play a pick-up basketball game at the Ayagina'ar Elitnaurvik school in Kongiganak, a village just two miles from the Bering Sea. The school's dual-language program helps students to strengthen both their Yup'ik and their English skills.

---





# Active, supportive stakeholders.

The Kuskokwim Corporation was formed by the merger of the 10 Village Corporations (shown in bold type).





# Q

## Why is it beneficial for Donlin Gold to be located on private land in Alaska?

# A

While political instability is rising around the world, mines in geopolitically safe jurisdictions are becoming increasingly rare. Alaska, the second largest gold-producing state in the U.S., has a long and productive mining history with discovery and production of mineral resources being a significant part of the state's economy. The government agencies in the state have proven their ability to efficiently permit large mine projects while welcoming new development opportunities as a means of diversifying their economy.

Donlin Gold is located on private land owned by two Native Corporations – land that was set aside for mining activities. Calista owns the mineral rights while TKC owns the surface rights. Calista is one of 13 regional Alaska Native Corporations established as part of the Alaska Native Claims Settlement Act (ANCSA) of 1971. TKC was formed in 1977 by the merger of 10 ANCSA village corporations. Under ANCSA, TKC has title to extensive surface estates in the region, including most of the project lands. We believe that significant exploration potential remains in the Donlin Gold district, with prospects to increase its mine life.

Donlin Gold LLC is the operator under a mining lease agreement with Calista and a surface use agreement with TKC. Both are life-of-mine agreements and provide royalties, employment opportunities,

scholarships, and special contracting considerations to Calista and TKC shareholders. Both Calista and TKC continue to be active, supportive stakeholders of the project and remain very involved in outreach activities.

With a working relationship of over 20 years, we have built a transparent and trusted partnership with both land owners, along with residents of the Y-K region. We truly appreciate the collaborative nature of our partnership with Calista and TKC and look forward to a successful future for all project stakeholders.

*"Calista feels that the project represents a significant and positive opportunity for our region and shareholders. One of our duties as a Native Corporation is to responsibly develop the land. The original Calista board, and other early regional leaders, selected this land as part of ANCSA to provide economic opportunities for our region while safeguarding our resources for future generations."*

Andrew Guy, CEO, Calista Corporation

## **Corporate Social Responsibility**

NOVAGOLD strives to create a balanced development plan that enhances economic growth, provides a safe and healthy workplace, and preserves traditional lifestyles – while bringing tangible, long-lasting benefits to our community partners. We apply this approach not only with our stakeholders and shareholders, but also while conducting studies and permitting work, engineering, and operations. And we will continue to do so as we move toward construction, operations, and closure.



We implement our social responsibility programs and commitments in a number of important areas:

- ▶ the health and welfare of our **people** (employees and stakeholders)
- ▶ the **well-being** of the **communities** in our regions
- ▶ **environmental stewardship** of land, water, air, and biological resources communities
- ▶ our commitment to integrity in all aspects of our **corporate governance**

A breathtaking Donlin Gold sunset, captured from one of the project's drill rig platforms.





We're committed to providing an environment in which all of our people make it home safe each and every day; and empowering individuals and communities to work together to ensure a brighter future for everyone. That means a focus on health and safety, where we adopt and implement a high level of protection for our employees and contractors as well as invest in safety programs throughout the Y-K region; workforce development with educational activities and programs through the region's communities; and providing employment opportunities through our commitment to local hiring and training programs.

### *health and safety*

2018 saw zero lost-time or medical incidents at Donlin Gold (now more than 2 million hours worked since 2006 without a lost-time incident) and no lost-time incidents at Galore Creek prior to the July 27 sale. In addition to purchasing new training equipment for a local technical school, we participated in a safety and emergency preparedness workshop and distributed safety gear in villages throughout the Y-K region.

### *workforce development*

Working with the State of Alaska Department of Labor and Workforce Development, Native Corporations, school districts, and regional training facilities, Donlin Gold continued efforts to provide supplemental academic, career, and technical education in rural areas throughout the state. Those efforts included supporting programs for high school students and young adults – providing a clear career pathway into the workforce – and scholarships for both the Calista Corporation and The Kuskokwim Corporation (TKC) students and internships for students throughout the Y-K region.

### *employment opportunities*

An emphasis on local hiring through training facilities and internships continues. Over the past decades, our workforce has consistently been made up of greater than 50% Calista and TKC shareholders. Through our Talent Bank, we've helped tailor the workforce development plan to the needs of the residents in the region, directing them to the programs and training resources available to help apply for – and have access – to employment opportunities.



### **2019 objectives**

- ▶ zero lost-time incidents at Donlin Gold
- ▶ develop and implement a detailed health and safety training program for all Donlin Gold and contractor staff prior to any camp re-opening and field program startup
- ▶ continue to conduct summer boat and winter snow machine safety education programs in the Y-K region, including distributing safety gear to locals
- ▶ fund and participate in the EXCEL Alaska youth program focused on trades
- ▶ continue to fund Calista and TKC scholarships
- ▶ continue the emphasis on local hires for any future field work



Establishing strong and collaborative working relationships with the communities where we operate is essential to earning and maintaining the social license to operate – a license that’s based on a solid foundation of respect for the values, the culture, and the language of the people in the Y-K region, including helping to maintain their subsistence way of life. It’s only possible through an atmosphere of openness, transparency, constructive dialogue, and mutual respect on the part of all stakeholders.

### *respect for culture and traditions*

2018 marked seven consecutive years of funding the Tahltan Literacy Camp in Northern British Columbia, bringing First Nations culture and education to youth in remote parts of the province. We also produced and distributed Yup’ik-English dictionaries in the Y-K schools and to locals, and funded the successful “Elder Mentor” program for Native Alaskans.

### *community outreach and involvement*

In addition to collaborating with our Native Corporation partners to visit more than 30 villages throughout the Y-K region to provide updates on Donlin Gold, we met with traditional village councils, residents, and students in 2018. Lost and found material was collected from local schools in preparation for the Donlin Gold Annual Clothing Extravaganza, while NOVAGOLD’s recently retired Executive Vice President and General Counsel David Deisley raised over \$20,000 to support homeless youth through the Covenant House sleepout event in Anchorage.

### *awards*

We don’t do it for the recognition, but it’s nice to know we’re making a difference. Donlin Gold received an award from EXCEL Alaska for its sponsorship of and involvement in youth education in the Y-K region. NOVAGOLD received the 2018 Platinum Award for Corporate Excellence from the American Exploration and Mining Association for its permitting efforts at Donlin Gold, and for the company’s strong safety culture, environmental stewardship, and community engagement throughout the process.

### *economic benefits*

The mining industry in Alaska provides significant benefits to the state: 4,500 direct mining jobs (9,000 total when indirect are included) and \$250 million paid to Alaska Native Corporations. Donlin Gold is looking forward to becoming a significant contributor, with 3,000 jobs anticipated during construction and 1,400 during mine operations as per the 2011 feasibility study.

### **2019 objectives**

- ▶ continue outreach presence with Native Corporations in the Y-K region
- ▶ fund initiatives that help cultural preservation
- ▶ participate in events and initiatives in villages throughout the Y-K region







NOVAGOLD supports a project development plan that considers full life-of-mine risks and opportunities – from exploration through to development, operations, and finally closure and reclamation. The process begins with local communities and our Alaska Native partners, who offer generations of traditional knowledge about the local environment; we use this knowledge to help guide the location, layout, and design of the project infrastructure to avoid sensitive and culturally important habitats and landscapes while maximizing the project’s efficiencies.

*fish and wildlife*

2018 was our third year conducting rainbow smelt spawning studies in the middle Kuskokwim River, confirming where and how this important subsistence species spawns during a very narrow timeframe. We also developed detailed fish habitat restoration plans for areas of the Crooked Creek watershed previously impacted by historic placer mining; these will restore and reconnect stream and pond habitats that will support coho salmon and resident fish populations in the drainage.

*waste management*

We sponsored and participated in Clean Up Green Up efforts in 43 villages in the region, collecting refuse for proper disposal in the community landfill. We also sponsored and took part in The Green Star® Waste Backhaul Project, working with six Middle Kuskokwim villages to identify, classify, package, and backhaul on barges nearly 20 tons of hazardous waste and materials.

*climate change*

Because western Alaska is one of the areas where impacts from climate change have been the most pronounced, we will continue to evaluate opportunities to limit our carbon footprint. Donlin Gold’s baseline data collection and analyses (air, water, soils, and biological conditions) have been planned to help account for future changes. Such changes have been incorporated into all aspects of the project design.

*energy use*

Donlin Gold will require significant energy to provide power for mining, processing, and ancillary facilities. We therefore continue to evaluate the project design for opportunities to reduce power demands and use cleaner sources of energy.

*land reclamation*

NOVAGOLD will continue to manage the site through each phase of development to ensure the protection of environmental and biological resources, including reclaiming areas no longer needed for exploration activities.

**2019 objectives**

- ▶ continue to advance knowledge of biological conditions in the Y-K region through smelt and salmon studies; look for opportunities to improve existing conditions through pilot-level fish restoration work in the Crooked Creek watershed
- ▶ expand the hazardous waste backhaul project to additional Y-K region villages; support the village of Crooked Creek in landfill operations; conduct additional village-specific landfill and waste management improvement activities





Frequent engagement with our shareholders is fundamental in continuing to improve our disclosure and good governance practices. We recognize the importance of consistent, proactive communication, and feel that their perspectives help deepen our understanding of our shareholders' priorities. NOVAGOLD's board of directors' obligation is to oversee and govern the company responsibly, a key function in advising management on strategic direction and practices, employee well-being, and partnerships – and essential toward enhancing shareholder value.

### *commitment and engagement*

We provided shareholders with access to directors and management in 2018; they in turn share investor feedback with the respective committees and the board. In addition to engaging with shareholders representing 82% of the company's issued and outstanding shares ahead of the company's 2018 Annual General Meeting (AGM), we conducted a post-proxy outreach effort in August and September to obtain feedback from the 10 largest shareholders who NOVAGOLD believed voted against Say-on-Pay at the AGM, reporting the results to the respective committees of the board for their consideration.

### *response*

NOVAGOLD eliminated the individual performance multiplier in the formula for long-term equity compensation, which had the potential to increase long-term equity incentive grants (stock options and Performance Share Units [PSUs]) above the target amount, extended the vesting period for new stock options and PSU grants to three years, and enhanced the description of annual company goals in the circular. Also in 2018, our board exercised negative discretion on the 2017 company goal achievement rating, reducing annual incentive payouts to acknowledge the year's lackluster share price performance, as well as adopted an executive compensation claw back policy in response to shareholder feedback during our 2017 outreach efforts.

### **2019 objectives**

- ▶ continue NOVAGOLD engagement with shareholders
- ▶ further enhance compensation and governance practices as a follow-up to recommendations made during the company's 2017 and 2018 proxy and post-proxy outreach

For more information about the core values ingrained in our policies and business strategy – including on-location videos and sustainability metrics – please visit [novagold.com](http://novagold.com).







Core tents at the Donlin Gold camp, where drill core is logged prior to sample preparation and analysis.



# mineral reserves & mineral resources

Donlin Gold (100% basis)*	Tonnage	Grade	Metal content	
GOLD	kt	g/t Au	koz Au	
<b>Reserves<sup>1</sup></b>				* Mineral reserves and resources are reported on a 100% basis. NOVAGOLD and Barrick each own 50% of the Donlin Gold project.  Donlin Gold approximate cut-off grades (see Resources Footnotes): Reserves: <sup>1</sup> 0.57 g/t gold Resources: <sup>2</sup> 0.46 g/t gold  t = metric tonne g/t = grams/tonne oz = ounce k = thousand M = million
Proven	7,683	2.32	573	
Probable	497,128	2.08	33,276	
P&P	504,811	2.09	33,849	
<b>Resources<sup>2</sup>, inclusive of Reserves</b>				
Measured	7,731	2.52	626	
Indicated	533,607	2.24	38,380	
M&I	541,337	2.24	39,007	
Inferred	92,216	2.02	5,993	

## Notes:

- These resource estimates have been prepared in accordance with NI43-101 and the CIM Definition Standard, unless otherwise noted.
- See numbered footnotes below on resource information.
- Roundings as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content
- Tonnage and grade measurements are in metric units. Contained gold is reported as troy ounces.

## Resources Footnotes:

- Mineral Reserves are contained within Measured and Indicated pit designs, and supported by a mine plan, featuring variable throughput rates, stockpiling and cut-off optimization. The pit designs and mine plan were optimized on diluted grades using the following economic and technical parameters: Metal price for gold of US\$975/oz; reference mining cost of US\$1.67/t incremented US\$0.0031/t/m with depth from the 220 m elevation (equates to an average mining cost of US\$2.14/t), variable processing cost based on the formula  $2.1874 \times (5\%) + 10.65$  for each US\$/t processed; general and administrative cost of US\$2.27/t processed; stockpile rehandle costs of US\$0.19/t processed assuming that 45% of mill feed is rehandled; variable recoveries by rock type, ranging from 86.66% in shale to 94.17% in intrusive rocks in the Akivik domain; refining and freight charges of US\$1.78/oz gold; royalty considerations of 4.5%; and variable pit slope angles, ranging from 23° to 43°. Mineral Reserves are reported using an optimized net sales return value based on the following equation:  $\text{Net Sales Return} = \text{Au grade} \times \text{Recovery} \times (\text{US}\$975/\text{oz} - (1.78 + (\text{US}\$975/\text{oz} - 1.78) \times 0.045)) - (10.65 + 2.1874 \times (5\%) + 2.27 + 0.19)$  and reported in US\$/tonne. Assuming an average recovery of 89.54% and an average 5% grade of 1.07%, the marginal gold cut-off grade would be approximately 0.57 g/t, or the gold grade that would equate to a 0.001 NSR cut-off at these same values. The life of mine strip ratio is 5.48. The assumed life-of-mine throughput rate is 53.5 kt/d.
- Mineral Resources are contained within a conceptual Measured, Indicated and Inferred optimized pit shell using the following assumptions: gold price of US\$1,200/oz; variable process cost based on  $2.1874 \times (\text{sulphur grade}) + 10.6485$ ; administration cost of US\$2.29/t; refining, freight & marketing (selling costs) of US\$1.85/oz recovered; stockpile rehandle costs of US\$0.20/t processed assuming that 45% of mill feed is rehandled; variable royalty rate, based on royalty of  $4.5\% \times (\text{Au price} - \text{selling cost})$ . Mineral Resources have been estimated using a constant Net Sales Return cut-off of US\$0.001/t milled. The Net Sales Return was calculated using the formula:  $\text{Net Sales Return} = \text{Au grade} \times \text{Recovery} \times (\text{US}\$1,200/\text{oz} - (1.85 + ((\text{US}\$1,200/\text{oz} - 1.85) \times 0.045))) - (10.65 + 2.1874 \times (5\%) + 2.29 + 0.20)$  and reported in US\$/tonne. Mineral Resources are inclusive of Mineral Reserves. Mineral Reserves that are not Mineral Reserves do not have demonstrated economic viability. Inferred Resources are in addition to Measured and Indicated Resources. Inferred Resources have a great amount of uncertainty as to their existence and whether they can be mined legally or economically. See "Cautionary Note Concerning Reserve & Resource Estimates".

## Regarding Forward-Looking Statements

This report includes certain "forward-looking information" and "forward-looking statements" (collectively "forward-looking statements") within the meaning of applicable securities legislation, including the United States Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included herein, including, without limitation, statements regarding the permitting, potential development, exploration, construction and operation of Donlin Gold and statements relating to NOVAGOLD's future share price, operating and financial performance, and production estimates are forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", "poised", and similar expressions, or statements that events, conditions, or results "will", "may", "could", "would" or "should" occur or be achieved. These forward-looking statements may also include statements regarding exploration potential of Donlin Gold; anticipated mine life; perceived merit of properties; anticipated permitting timeframes; exploration and drilling results and budgets; mineral reserve and resource estimates; work programs; capital expenditures; timelines; strategic plans; benefits of the project; market prices for precious metals; contingent \$75 million payment upon a Galore Creek construction decision; or other statements that are not statements of fact. Forward-looking statements involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from NOVAGOLD's expectations include the uncertainties involving unexpected cost increases, which could include significant increases in estimated capital and operating costs; the need for additional financing to explore and develop properties and availability of financing in the debt and capital markets; uncertainties involved in the interpretation of drilling results and geological tests and the estimation of reserves and resources; the need for continued cooperation with Barrick Gold Corporation for the continued exploration and development of the Donlin Gold property; the need for cooperation of government agencies and native groups in the development and operation of properties; risks of construction and mining projects such as accidents, equipment breakdowns, bad weather, non-compliance with environmental and permit requirements; unanticipated variation in geological structures, ore grades or recovery rates; the need to obtain permits and governmental approvals; fluctuations in metal prices and currency exchange rates; a construction decision at Galore Creek; and other risks and uncertainties disclosed in NOVAGOLD's annual report filed on Form 10-K for the year-ended November 30, 2018 with the United States Securities and Exchange Commission, Canadian securities regulators, and in other NOVAGOLD reports and documents filed with applicable securities regulatory authorities from time to time. NOVAGOLD's forward-looking statements reflect the beliefs, opinions and projections of management on the date the statements are made. NOVAGOLD assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

Forward-looking statements are based on a number of material assumptions, including but not limited to the following, which could prove to be significantly incorrect: our ability to achieve production at any of our mineral exploration and development properties; estimated capital costs, operating costs, production and economic returns; estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying our resource and reserve estimates; our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable; assumptions that all necessary permits and governmental approvals will be obtained and the timing of such approvals; assumptions made in the interpretation of drill results, the geology, grade and continuity of our mineral deposits; our expectations regarding demand for equipment, skilled labor and services needed for exploration and development of mineral properties; and our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

## Cautionary Note Concerning Reserve & Resource Estimates

This report uses the terms "mineral resources", "measured mineral resources", "indicated mineral resources" and "inferred mineral resources". United States investors are advised that, while such terms are recognized and required by Canadian securities laws, in particular, NI 43-101, the United States Securities and Exchange Commission (the "SEC") Industry Guide 7 ("SEC Industry Guide 7") does not recognize them. Under SEC Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Mineral resources that are not mineral reserves do not have demonstrated economic viability. United States investors are cautioned that they should not assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves. Further, inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations, however, SEC Industry Guide 7 normally only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and mineral resources contained in this presentation may not be comparable to information made public by United States companies subject to SEC Industry Guide 7 reporting and disclosure requirements. The company has no reserves, as that term is defined under SEC Industry Guide 7.

On October 31, 2018, the SEC adopted a final rule ("New Final Rule") that will replace SEC Industry Guide 7 with new disclosure requirements that are more closely aligned with current industry and global regulatory practices and standards, including NI 43-101. Companies must comply with the New Final Rule for the company's first fiscal year beginning on or after January 1, 2021, which for NOVAGOLD would be the fiscal year beginning December 1, 2021. While early voluntary compliance with the New Final Rule is permitted, NOVAGOLD has not elected to comply with the New Final Rule at this time.

NI 43-101 is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all mineral resource and mineral reserve estimates contained in this circular have been prepared in accordance with NI 43-101 and the CIM Definition Standards.

## Technical Reports and Qualified Persons

The documents referenced below provide supporting technical information for the Donlin Gold project.

Project	Qualified Person(s)	Most Recent Disclosures
Donlin Gold	Gordon Seibel, R.M. SME, AMEC Kirk Hanson, PE., AMEC	"Donlin Creek Gold Project Alaska, USA, NI 43-101 Technical Report on Second Updated Feasibility Study" effective November 18, 2011, amended January 20, 2012.

Clifford Krall, PE., who is the Mine Engineering Manager for NOVAGOLD and a "qualified person" under NI 43-101, has approved the scientific and technical information contained in this presentation.

# corporate information

## management team

### Mélanie Hennessey

Vice President, Corporate Communications

### Gregory A. Lang

President and Chief Executive Officer

### David Ottewell

Vice President and Chief Financial Officer

### Ron Rimelman

Vice President, Environment, Health, Safety, and Sustainability

### Richard Williams

Vice President, Engineering and Development

## transfer agent

For information on share transfers, lost certificates, or a change of address, contact:

Computershare  
1.800.564.6253 (toll-free in Canada and the U.S.)  
1.514.982.7555 (international direct dial)  
computershare.com

## auditors

PricewaterhouseCoopers LLP

## share listings

TSX, NYSE American: NG  
Issued and outstanding at January 16, 2019, 325.1 million

## board of directors

### Dr. Thomas Kaplan

Chairman, NOVAGOLD RESOURCES INC.;  
Chairman and CEO, The Electrum Group, natural resources investment management company

### Sharon Dowdall <sup>(2, 4)</sup>

Corporate Director

### Diane Garrett <sup>(3, 4)</sup>

President and CEO, Nickle Creek Platinum Corp.

### Gregory A. Lang <sup>(3, 5)</sup>

President and CEO, NOVAGOLD RESOURCES INC.

### Igor Levental <sup>(4, 5)</sup>

President, The Electrum Group

### Kalidas Madhavpeddi <sup>(1, 2)</sup>

Corporate Director

### Clynton Nauman <sup>(1, 3)</sup>

CEO, Alexco Resource Corp.

### Rick Van Nieuwenhuyse <sup>(3, 5)</sup>

President and CEO, Trilogy Metals, Inc.;  
former CEO, NOVAGOLD RESOURCES INC.

### Anthony Walsh <sup>(1, 2)</sup>

Corporate Director  
Independent Lead Director

#### Members of:

1. Audit Committee
2. Compensation Committee
3. Environment, Health, Safety, Sustainability, and Technical Committee
4. Corporate Governance and Nominations Committee
5. Corporate Communications Committee



This annual report was printed carbon neutral, investing in renewable energy and clean technology projects.



**ANNUAL MEETING OF SHAREHOLDERS**

Thursday, May 16, 2019 – 1pm PT  
Hyatt Regency Vancouver  
Grouse Room  
655 Burrard Street,  
Vancouver, BC, Canada V6C 2R7

**INVESTOR INQUIRIES**

T: 604.669.6227  
Toll free: 1.866.669.6227  
info@novagold.com  
novagold.com  
facebook.com/novagold  
twitter.com/novagold

**CORPORATE OFFICE**

789 West Pender Street, Suite 720  
Vancouver, BC, Canada V6C 1H2  
T: 604.669.6227  
Toll free: 1.866.669.6227  
F: 604.669.6272  
info@novagold.com

**SALT LAKE CITY EXECUTIVE OFFICE**

201 South Main Street, Suite 400  
Salt Lake City, UT, USA 84111  
T: 801.639.0511  
F: 801.649.0509



NOVAGOLD