

NOVAGOLD

2015 Annual Report



P E R S P E C T I V E S



Table of Contents

2	Shareholder Letter
4	The Tortoise and the Hare
10-28	Questions and Answers
30	Reserves & Resources
32	Corporate Information
	Financial Statements and MD&A (separate document)

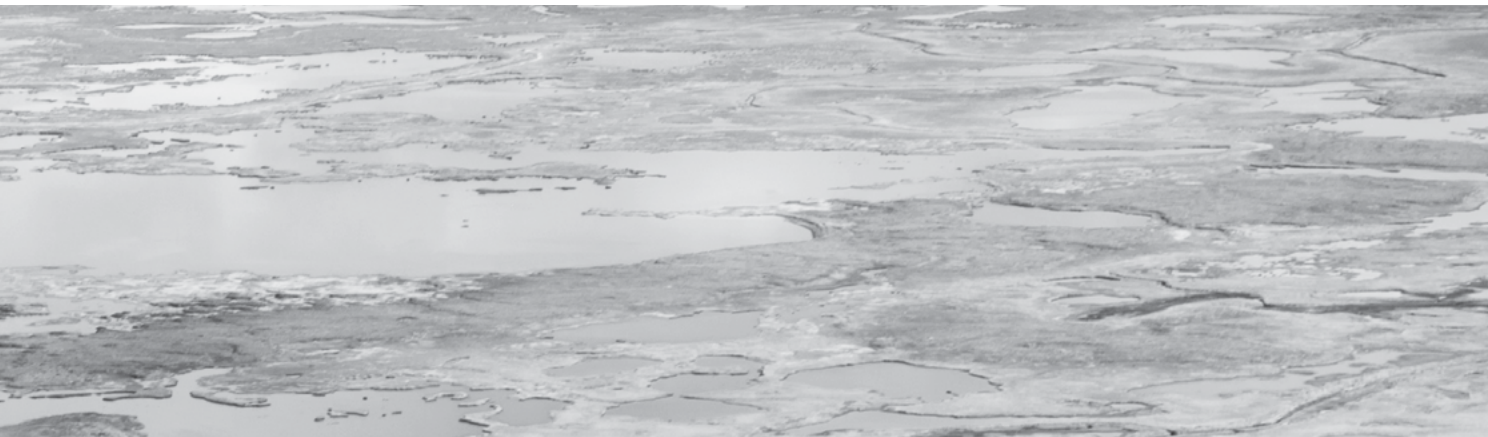
Our employees and neighbors take pride in the work and activities depicted in the photographs throughout this report, most of which were taken at the Donlin Gold and Galore Creek project sites or in the surrounding communities. All scientific and technical information in the body of this annual report is qualified by and is to be read in conjunction with the reserves & resources tables and associated notes found on pages 30 and 31 of this annual report. All dollar amounts quoted in this report are in U.S. currency unless otherwise noted.

Kongiganak Playground

Subsistence is vital to residents of Kongiganak, who supplement their incomes with hunting, fishing, and gathering.

Tahltan Literacy Camp (cover)

The Tahltan Literacy Camps help to realize a shared vision of a healthy future for Tahltan youth, providing quality learning support for Aboriginal children during the summer months.



For this year’s annual report to our shareholders, we sought different perspectives – both from NOVAGOLD’s management team and from key third-party stakeholders. We asked questions. And from the answers to those questions a common theme emerged: *opportunity*.

The Kuskokwim River

For generations, communities in the Yukon-Kuskokwim region have been connected by and to the Kuskokwim River, the main transportation route and a significant source of food for area residents. It’s traversed via boat in the summer and via snow machine and truck in the winter and fished year-round.



Dear shareholders,

2015 marked a year of accomplishment for the Company. Our 50 percent-owned Donlin Gold project reached a key permitting milestone with the U.S. Army Corps of Engineers' publication of the draft Environmental Impact Statement (EIS), which represents one of the most comprehensive project evaluations ever undertaken for a proposed mining project in the United States. This is a significant achievement for both NOVAGOLD and its partner Barrick Gold. Permitting a major project like Donlin Gold within the framework of the National Environmental Policy Act (NEPA) requires a great deal of collaboration and team spirit on the part of everyone involved. Three years into permitting, we have significant and early input by cooperating agencies and the public regarding the potential environmental, social, and economic impacts of the proposed project. Concurrent with the NEPA analysis, Donlin Gold has been submitting major permit applications to relevant agencies to obtain the more than 100 individual permits required for the project on a timely basis.

Our approach has been characterized by tremendous collaboration and perfect alignment with our Native partners and our other stakeholders, including various levels of government. This notion, in fact, applies to both Donlin Gold and Galore Creek, a major copper-gold-silver project owned equally by NOVAGOLD and Teck Resources. While base metal prices are currently depressed, having half of a project that when developed is expected to be the largest copper mine in Canada and one of its lowest-cost producers, will be a big plus for our shareholders when markets turn.

The alignment we enjoy with our partners didn't happen by chance. NOVAGOLD's collaboration with its Native Corporation partners, the Calista Corporation and The Kuskokwim Corporation (TKC) in Alaska and the Tahltan Nation in British Columbia is sufficiently time-tested, enabling all parties to share common objectives and the same vision. Stakeholders view Donlin Gold and Galore Creek as future profitable businesses capable of providing much-needed socio-economic benefits to all those who share in their success.

The Calista Corporation and TKC continue to be active, involved participants in the development of their land and mineral resources at Donlin Gold. Its economic development will help fulfill the Alaska Native Claims Settlement Act's (ANCSA) broader goal of Alaska Native self-determination by allowing shareholders of both corporations to participate in the world economy. Over the 20 years since the Calista Corporation first signed the mining lease for Donlin Gold, the project has been the single largest economic stimulus in the Kuskokwim Region.

In 2015, most of our resources (human and financial) were



Greg Lang
president and CEO

focused on Donlin Gold. With a projected average annual production of over one million ounces of gold, it's expected to be the world's largest single pure gold mine during its planned 27-year life. We can't think of any other producing gold mine that had the good fortune of commencing operations with 39 million ounces in resources (inclusive of 34 million ounces of reserves). And considering that this large gold endowment comes from only a 3-kilometer portion of an 8-kilometer-long mineralized belt, the project's owners are well-positioned to potentially find even more.

There's no doubt that the development of a major mine represents significant permitting, technical, logistical, and financial challenges. A company facing these challenges must have experienced people. NOVAGOLD's team is made up of individuals with an unparalleled track record of developing and operating mines like Pueblo Viejo in the Dominican Republic and Cortez Hills in Nevada. While both are technologically, logistically, and culturally unique – like Donlin Gold – all three share important common characteristics: the need for undivided attention to detail, strong focus on social and community engagement, and uncompromising environmental stewardship. All of these elements must come together for a mining company to be successful in the 21st century. I'm proud to say that, with its steady performance to date, NOVAGOLD is a new breed of mining company, prepared to successfully meet all the challenges of our time. We've done it so far, and we'll continue to do it in the future.

In 2016, our activities will be focused on progressing Donlin Gold through permitting. We'll also be supporting the Corps and cooperating agencies through the Donlin Gold draft EIS public comment meetings, which are scheduled throughout the Yukon-Kuskokwim region in the first half of the year. The Corps will review and respond to the comments in a final EIS anticipated to be published in 2017. At Galore Creek, the first phase of the tunneling practice study is underway, and we'll continue technical work on the project at minimal costs, including optimization concepts to integrate mining, waste rock and water management.

Over the past four years, we have been careful stewards of the Company's financial resources. After anticipated spending of approximately \$25 million in 2016, NOVAGOLD is expected to end 2016 with roughly \$100 million in the bank – more than sufficient for NOVAGOLD to complete permitting of Donlin Gold and conduct necessary activities at Galore Creek.

For our 2015 annual report, NOVAGOLD's management team, as well as key investors, partners, and research analysts, offer their opinions on various aspects of our business. They respond to a multitude of questions we're often asked, ranging from the status of the gold market to the state of the gold-mining industry to the attributes of NOVAGOLD itself. We're delighted to have the opportunity to share their views with our readers.

We're also reprinting "The Tortoise and the Hare" by Dr. Thomas Kaplan, our chairman and principal shareholder,

which appeared in the January 2016 issue of fellow board member Marc Faber's prestigious *The Gloom, Boom & Doom Report*. Tom shares his bullish views on the state of the gold market and discusses why NOVAGOLD remains his top investment vehicle of choice to capitalize on that conviction. For further reading, we're also including a link to "[The Historian](http://thehistorian.com)," a cover story from *The Octavian Report* for which Tom was interviewed last year. That and a related article, "[The Great Gold Whale: A Category Killer in Alaska](http://thehistorian.com)," are well worth your time.

NOVAGOLD and Barrick Gold are on a clear path toward securing all the necessary permits to develop Donlin Gold as a model mine for many years to come. We're both on record stating that the project won't be built without giving proper consideration to project economics and return on investment, both of which are largely predicated on the price at which gold is trading at the time of the investment decision. From that standpoint, we're particularly encouraged by recent gold price projections made by the CPM Group, headed by Jeffrey Christian. His gold outlook largely depends on two important factors: on the demand side, investor (including central bank) demand, and, on the supply side, mine production. Based on CPM's assessment of the fundamentals, Jeffrey sees, over the long term, rising private and central bank demand – and a sharp decline in gold production around the world. That environment, coupled with recent generational dramatic reductions in the cost of energy, steel, and other commodities comprising components of the total capital and operating costs for Donlin Gold, could give a huge boost to its overall project economics at just about the perfect time.

NOVAGOLD and its team see unprecedented opportunity in the years ahead. Although we still have a lot of hard work to do, when you have a one-of-a-kind asset like Donlin Gold, conviction and patience will be rewarded. And when I pause to reflect on how far we've come over the past few years and how much further we'll go, I couldn't be more motivated and optimistic.

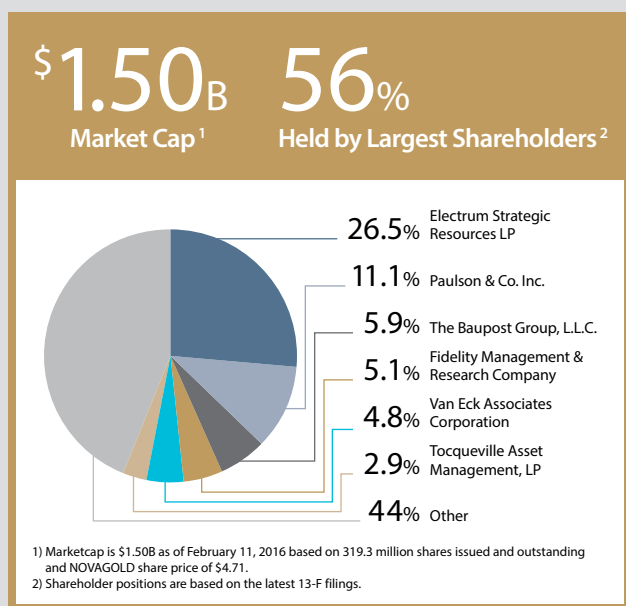
As always, we thank our Native Corporation and joint venture partners, as well as members of various government and non-government agencies, for their strong and consistent support. Our progress at Donlin Gold and Galore Creek would have been impossible without their constructive engagement. We also thank our shareholders for their faith in the future of this great company. And last but not least, we express our gratitude to a very dedicated board of directors for providing us with valuable guidance as NOVAGOLD advances two exceptional deposits to the next stage of development.



Gregory A. Lang
president and CEO
 February 11, 2016

The Right Asset at the Right Time

Our top 20 shareholders have been fairly consistent. In fact, many have increased their positions in the past two years. As exemplified by our largest shareholder, The Electrum Group LLC, which has an exceptional track record in the natural resources space, they fully understand the thesis for investing in gold and, more specifically, the logic of an investment in NOVAGOLD. Of course, their convictions underlying these investments are being further reinforced by witnessing the limited number of quality assets in the precious metals space – not to mention the tumultuous markets and unreliable jurisdictions that have caused many projects to be shelved or cancelled outright. It's why, for many of our shareholders, we're the right asset at the right time.



1) <http://octavianreport.com/article/the-historian-an-interview-with-thomas-kaplan/>
 2) <http://octavianreport.com/article/the-great-gold-whale-a-category-killer-in-alaska/>

The Tortoise and the Hare



NOVAGOLD's director, Dr. Marc Faber, publishes *The Gloom, Boom & Doom Report*, a monthly investment newsletter that highlights unusual investment opportunities around the world. Based on economic, social, and historical trends, the report aims to warn investors when investment themes have become widely accepted – and are therefore highly priced and risky – while continuously searching for opportunities in unloved and depressed markets. The January 2016 issue features the following article by NOVAGOLD chairman Dr. Thomas Kaplan, who, in providing an in-depth overview of the gold market, details why he's so confident on the renewal of gold's long-term uptrend, and why NOVAGOLD is his vehicle of choice for exposure to gold.

The most common association of John Maynard Keynes with gold is his use of the expression “barbarous relic” to describe the metal, an oft-quoted quip adored by gold's detractors. Apparently, however, Keynes' relationship with gold was more nuanced than this remark would suggest. Richard Hurowitz, in an illuminating piece in the *Wall Street Journal* this past September 15th entitled “What Keynes Would Think of ‘Neo-Keynesians,’” revealed that the famous economist had been misunderstood and that, “unlike his acolytes, he understood the value of gold and the dangers of currency debasement.” To those who would claim this to be revisionism, think again. When Keynes described his optimal postwar monetary system in December 1941, he recognized that gold had been valued as money for thousands of years. As a consequence of its universal appeal, he acknowledged that it was necessary that gold be part of any new global monetary system. “*We do not take any action injurious to the position of gold,*” he said in 1943. Relating the ideas that would bear fruit at the Bretton Woods conference in 1944 he observed, “*The world being what it is, it is likely the confidence gold gives can still play a useful part.*”

“*The world being what it is...*” These are words too seldom spoken. Those who have a firm grounding in the past are not fazed by the sentiment that history at its core is human psychology played out on a broad canvas. And, if history doesn't quite repeat itself, it certainly rhymes. In today's zeitgeist, however, where universal notions are viewed as indiscriminate, old-fashioned, deterministic or, even worse, politically incorrect, one

takes a risk expressing the pragmatism of “the world being what it is.” It implies that experience may yet trump our generation's enormous solipsism. Too few college presidents today would exhibit such a didactic approach in prefacing a concept lest it offend somebody somewhere. As a consequence, we continue to find that, the world being what it is, “*le sens commun est fort rare,*” or as Voltaire's maxim is most commonly translated, “common sense is not so common.”

That's not to say that it no longer exists. It was only recently that Bridgewater's Ray Dalio, a man who possesses more than a passing acquaintance with financial history, remarked at the Council on Foreign Relations: “*Gold is a currency. We have dollars, we have euros, we have yen and we have gold. If you don't have [10% of your assets in] gold, there is no sensible reason other than that you don't know history or you don't know the economics of it. As a hedge ... as a diversifier ... there should be a piece of that in gold.*” There you have it from a man widely considered to be eminently rational ... if not actually hyper-rational. With no fuss or muss, and without an atavistic appeal to Druid rituals or the End of Times, Ray Dalio observed simply that gold is an under-owned currency that enjoys a well-earned place in global finance. I would personally add, to the vast majority who can't bear the idea of gold still being reckoned to be anything approaching an asset class: as Keynes implied, *just get over it.*

Ray Dalio's comment about gold being a hedge or diversifier seems reasonable enough. In an economic landscape bubbling with all sorts of distortions, even the central banks' most ardent advocates should find it comforting to know that there is a financial asset that doesn't represent someone else's obligation. To repeat: “*The world being what it is, it is likely the confidence gold gives can still play a useful part.*” Considering that gold multiplied in value as much as 50-fold since it was allowed to trade freely, Keynes seems to have been right at the time. Yet, it's hard to argue that his comment should not resonate as much in today's environment as it did with Keynes' contemporaries.

While one could perhaps see gold sell off to \$900 before it vaults beyond \$1900, the outlook for gold is a much higher price. What makes me so confident on the eventual outcome besides the fact that it has the whiff of inevitability about it? It is a variation on the answer that I give to the question that I am most frequently asked: “What will be the trigger for gold's revival?” My response is usually found to be disappointing: “It will just happen one day and that will be that.” A “that's it?” stare invariably meets my rejoinder. But, in truth, most successful traders will tell you that the move that occurs on no news is often the strongest.

The reason, I presume, is that fundamentals take time to gestate and usually reveal themselves when they are least expected. After all, they don't ring a bell to say it's time to buy or sell.

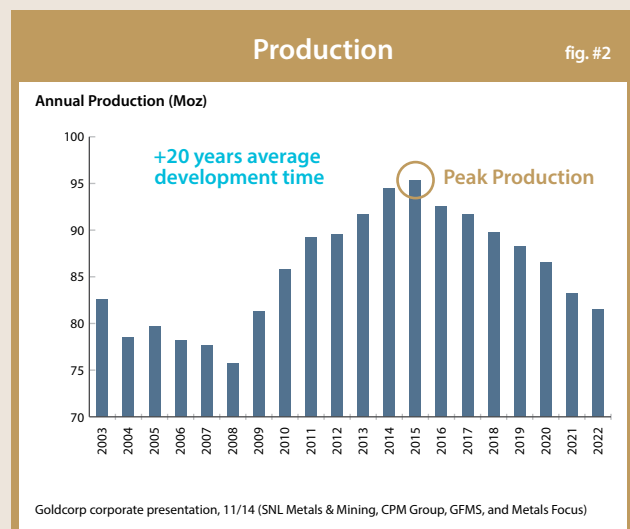
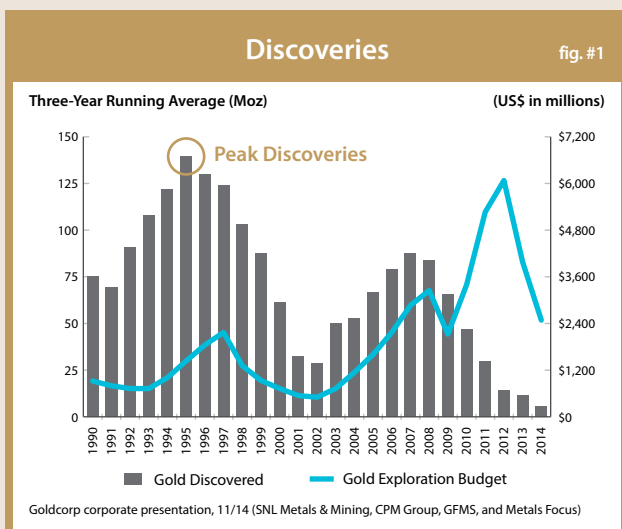
The renewal of gold's long-term uptrend doesn't require any specific event to happen. That is not to acknowledge that there are plenty of triggers that would favor gold over almost any other asset class, as happened during the last financial crisis. Indeed, if one needs an example of how well gold has shown it can perform as a diversifier, we needn't look back very far. When my company, Leor Energy, exited energy in 2007, oil was trading over \$100 a barrel and gold was \$600 or so an ounce. What followed has been quite an amazing performance for a financial asset that is often miscast as a commodity. Moreover, as a currency itself, who can gainsay the performance of gold since then against practically all other currencies including the dollar? Astonishingly, gold's naysayers will argue that equities have outperformed gold. But that's not correct. If you bought gold before the financial crisis, you've made more money on the metal than in the broad market. When the Dow peaked in 2007 at 14,000, gold had a six-handle. Imagine that: since the onset of the financial crisis, gold has outperformed commodities, the dollar and even equities. How can a fiduciary, or "prudent man," not own some of that for his clients ... especially when one remembers that the expression "prudent man rule" itself was originally defined as a means to assess the risk of an investment against the most prudent of assets: gold? I dare say he will ... assuming he can buy enough of it when he needs it.

What is so interesting about gold, however, is that none of the black swans which darken our skies need to alight for

precious metals to resume their uptrend. What's necessary for that to happen is already underway, and in a fashion that does not appear to have to disturb the life, liberty or happiness of anyone other than a few miners ... and perhaps those who have intemperately eschewed diversification and prudence. The best case for gold, and investing in gold miners, is indeed that the industry's most gaping wounds are extrinsic to the gold price. Really well-managed gold companies can perform admirably. Mark Bristow's Randgold, for example, has returned 19% annually over the last decade, far outpacing the broader market. Most of its peers have not delivered, however, due to the misallocation of capital, ill-considered acquisitions and a series of crippling compromises and false assumptions on jurisdictional risk and mine quality. And most will continue to not deliver ... though, as with the oil industry earlier in this century, higher prices for their products or an increase in demand could well bail them out before the day of reckoning.

What follows are four charts with which everyone should become familiar as they show that peak gold production is becoming very much a reality. The first two charts are straightforward: despite a marked increase in exploration spending over the past decade, new discoveries have been increasingly rare and size and production are set to decline (fig. #1 and fig. #2). This is going to worsen as expenditures on exploration collapse ... from the "Majors" on down to the bombed out "Juniors" that most often incubated the pipeline.

At a time when the "Majors" are producing gold faster than they can replace reserves, and when projects in exotic jurisdictions are finding it particularly hard to raise development



capital – a trend we believe is long term in nature – the supply of gold from mines is likely to decline faster than conventional wisdom believes.

In addition to quantity, quality is plunging. The current generation of operating mines is well past its prime. The best ore has already been mined and remaining reserves will cost more to produce. We see no relief in sight; the average grade of all producing mines is 32.6% higher than the average of all development-stage projects (fig. #3). This latter number is going to continue to fall.

Finally, to reinforce the fact that we have passed a tipping point, even if the mother lode of mother lodes were found today, which is highly doubtful, it will take as many as 20 years to get it into production (fig. #4). This is not shale energy, which can be explored and exploited in a matter of months. The barriers to entry in gold are incredibly high and the steps necessary to develop a project are many, time-consuming and complex.

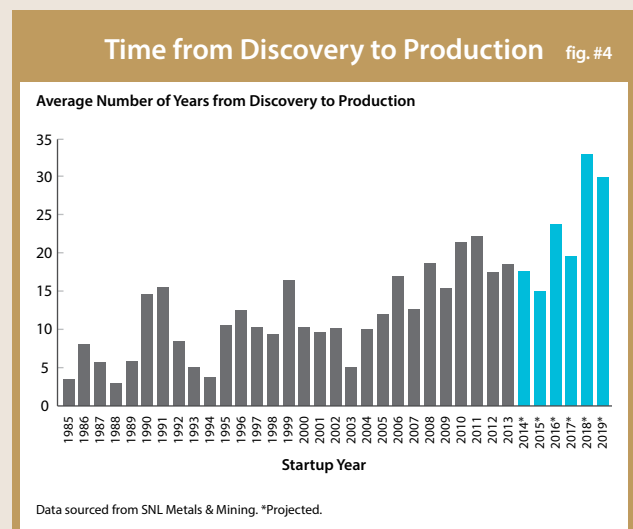
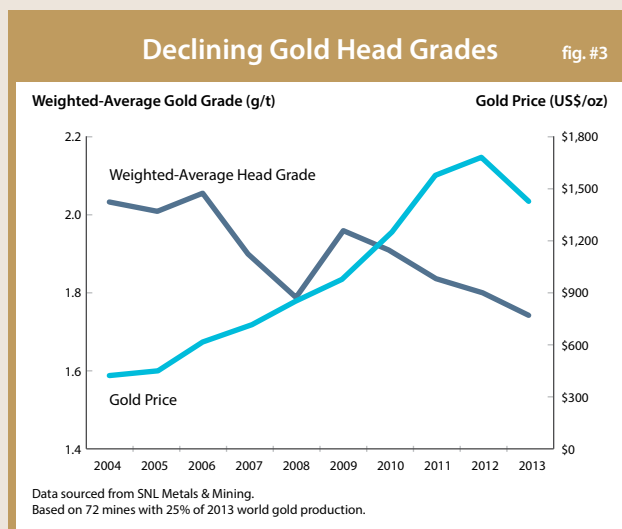
Whether or not mine supply has peaked, there is also very interesting news on the demand side. In a fine piece written by metals analysts CPM Group entitled “The PBOC Changes Everything,” CPM opined that two announcements from the People’s Bank of China, in July and August, “dramatically and fundamentally changed the outlook for central bank gold buying patterns for the foreseeable future, and consequently the outlook for the gold price.” As they note: “The PBOC has fundamentally reversed its position toward gold, from seeing it as not likely to play a significant role as a monetary reserve asset to seeing it as playing a minor but on-going role in its monetary reserves.”

The first announcement came on 17 July, when the PBOC

revealed that it had added 19.4 million ounces of gold to its official monetary reserves in June. The second announcement came on 14 August, when the PBOC released its July statistics showing that it had added another 610,000 ounces of gold. Gold as a percentage of China’s official monetary reserves therefore has risen from 1.1% to around 1.6% as a result of these moves.

When I saw the PBOC’s increase in gold reserves, I initially was surprised that the amount added wasn’t larger. My assumption had been that the lion’s share of gold moving into China was for the official sector and that the private sector demand infrastructure was a work-in-progress. Assuming the Central Bank isn’t fibbing or masking wider official sector purchases, it may well be that China’s investment sector interest in gold is broader and deeper than anyone had expected. This is encouraging to anyone who believes, as do I, that the Chinese investor will be an ever-increasing buyer of gold. CPM’s analysis opened my mind to another, equally interesting observation: While few central banks take their monetary policy cues from the central banks of Russia, Venezuela or similar countries which have been gold buyers, the same can’t be said for China. “While they may be loath to admit it, central banking authorities around the world will take more notice of, and place more emphasis on, such a major shift in the Chinese central bank’s policy stance toward gold. As a result, not only may the gold market expect on-going gold purchases by the PBOC, it also may see other central banks revisiting the role of gold in their monetary reserves.” At the very least, it is likely to continue to suppress any urge by central banks – admittedly non-existent at present – to sell their reserves for a very, very long time.

Clearly, the supply and demand forces at work make owning



gold at some level eminently rational. For those with a more aggressive bent, the miners are providing leverage at historically low prices. The key, we at Electrum believe, is to build positions in the few companies that have great assets in safe places, and ensure that they have the balance sheet to weather the current storm. For such assets, we are buyers here even if lower prices are yet to come. Whether or not we get lower prices that enable us to deploy our capital on an even more efficient basis is not within our control. That being said, the universe in which we're engaged is already quite modest. In light of the gold industry having already passed a tipping point, we do not need to witness black swans landing on a pond to see significant upside and experience significant up-moves. The market is now so small that one could theoretically buy all of the world's publicly-traded precious metals producers for the modest sum of ~\$150 billion. Of course, at the first sign of a shift in sentiment, that market capitalization will multiply rapidly.

Our group's vehicle of choice remains NOVAGOLD, of which I am chairman, largest shareholder, and an unobtrusive advocate. Natural resource assets have been my livelihood for over two decades. By focusing on the rare "category killers," it has been a good living. When we entered NOVAGOLD as a white knight at the end of 2008, we felt Donlin Gold, the Alaskan gold deposit which the company shares with Barrick Gold, was likely the best single development asset in the world. To some, our investment may have seemed long-dated. Now, more than half-way through permitting, it doesn't look long-dated any longer. Indeed, as other less attractive mining projects around the world have been cancelled at an accelerating rate, Donlin has continued progressing at its natural pace. We refer to this phenomenon as "The Tortoise and the Hare." The passage of time has only reinforced our appreciation for Donlin. We now believe that industry fundamentals are rendering it unique. Certainly, the superlatives are quite remarkable. Starting at nearly 1.5 million ounces per year, Donlin will be the largest single pure gold mine in the world when it begins production. Over a million ounces a year will be produced over a mine life that begins with 27 years of reserves. There is no other producer that has started with 39 million ounces of resources (inclusive of its 34 million ounces of reserves) ... and that is only from the 3-kilometer portion of an explored mineralized belt 8 kilometers long. This belt in itself is only a small portion of the property package. In other words, in an era of declining reserves and precious few new discoveries, Donlin's size will very likely increase along strike as well as to depth ... perhaps significantly. In addition to quantity, there is

extraordinary quality. Though the project will begin by processing 2.5 grams of gold per tonne, the mine life average of 2.1 grams per tonne is over *double* the grade of other large open pit projects. *Size and grade matter.* The consequence of Donlin's scale renders the economics unusually attractive, with life-of-mine cash costs of \$585 per ounce. In terms of Donlin's combined attributes of size, grade, exploration upside, forecast production profile, mine life, low cost structure and community support, there's really nothing like it anywhere ... and it is that rare "unicorn" that is located in a safe part of the world where an investor can tread without fear. As such, Donlin represents for us the optimal way to invest in the space: that is, to seek the maximum leverage to gold in a jurisdiction that will allow investors to keep the fruits of that leverage.

This safety premium creates an exceptional risk-to-reward ratio, based on the leverage to higher gold prices enjoyed by Donlin Gold. Its after-tax Net Present Value ("NPV") using US\$1,200 per ounce-gold and a 5% discount rate, was estimated in the Donlin Gold Second Updated Feasibility Study at US\$547 million. This number rises to \$6.2 billion if undiscounted. Importantly, the resultant NPV sensitivity analysis shows a more than eightfold increase in value to US\$4.6 billion at US\$1,700 per ounce of gold (\$14.6 billion if undiscounted), and then nearly a 50% further increase in NPV to US\$6.7 billion at US\$2,000 per ounce of gold. At the zero discount rate at which we believe North American assets may once again be rated, as they were not so long ago, that number rises to more than \$19 billion. *And that is solely based on existing reserves.*

In today's market, NOVAGOLD is exceptional from a risk/reward standpoint. Debt-free and laden with \$127 million in cash, it has a balance sheet that could last for a decade without additional capital. This attribute, rendering it the profile of an unexpiring call option not simply on its proven reserves, but also its larger resources, is accentuated by the fact that under CEO Greg Lang's leadership, the stewards of NOVAGOLD's fortunes are best-in-breed when it comes to management. They have their eye on the ball, manage the company's money frugally, care deeply about their shareholders and their partnerships, and are not remotely tempted to do stupid stuff. Being Chairman is such a pleasant gig that I give my remuneration to Donlin's unique alliance with the National Fish and Wildlife Federation, an agency of the US federal government with which NOVAGOLD has a partnership in wildlife conservation in Alaska. When gold turns I fully expect a bull market in Donlin that will affect not only NOVAGOLD as a "pure play" on what will be the largest pure gold

project in the world, but that will materially affect our partner Barrick's valuation as well.

In 2010, gold equities experienced a blistering bull run. NOVAGOLD was a star performer, multiplying several-fold in short order. It did so despite significant headwinds, including that its long-anticipated Feasibility Study on Donlin Gold was still a work-in-progress; the Pebble project raised an Alaskan question mark regarding permitting; the company's balance sheet was modest; new senior management had not yet been hired; and prior missteps had created environmental and legal issues that had yet to be sorted out. Despite these uncertainties, NOVAGOLD's equity surged from \$5 to \$16 within a matter of weeks. The winds have since reversed. The headwinds no longer exist and the company is now poised to benefit from multiple tailwinds: from the robustness of its management, the exceptional technical attributes and quality of its resources, community support, solid balance sheet and jurisdictional safety, the company checks all the boxes and is among the very best positioned to profit mightily from any hint of sentiment change.

An additional headwind when we acquired our interest in NOVAGOLD and which increased several years later as NOVAGOLD's partner, Barrick, underwent an internal upheaval, was the attitude that Barrick publicly exhibited towards Donlin Gold. The two companies had some history. In 2006, Barrick had coveted Donlin Gold so much that it launched a \$1.6 billion hostile takeover bid. The attempt failed when NOVAGOLD's shareholders rejected the bid and NOVAGOLD's shares soared into the \$20s. I was not a shareholder at the time and bought in a couple of years later after the company had fallen from grace and needed rescuing. Yet I had seen that Barrick knew precisely what it was doing. After all, Donlin Gold's reserves have more than doubled since the failed bid and NOVAGOLD's other major asset, Galore Creek, has shown almost the same level of resource growth. In the aftermath of the bid, however, there was a lot of broken glass between the management teams, with Barrick smarting from its failure and yet still desirous of acquiring the 50% of Donlin Gold it did not own.

Very recently, Barrick's message has changed as chairman John Thornton has adopted a no-nonsense approach to value creation and asset pruning. While in no more of a rush to build than we are, Barrick's ambivalence has given way to a simple and positive approach to Donlin. Though now is not the time for either Barrick or NOVAGOLD to build what will be the biggest pure gold producer in the world, when the time is right and gold prices are higher Donlin will be as good as it gets. With NOVAGOLD's

senior management team having previously led Barrick's North American operations, the trust-connection between Barrick and NOVAGOLD is as strong as can be. In addition, Donlin will initially add 50% of 1.5 million ounces per year of production to Barrick's pipeline, more than enough to replace production from the multiple assets Barrick is selling. The fact that Donlin is in North America, which has historically been home to the jewels in Barrick's crown, has not gone unnoticed either. Indeed, in Barrick's most recent disclosures, its narrative sounds substantially like NOVAGOLD's ... so much so that NOVAGOLD reprinted Barrick's disclosure in its entirety in its own presentation under the headline "Perfect Alignment Between Partners." This extraordinary solidarity was in full display in the November 30, 2015 Barrick-NOVAGOLD joint press release, in which the partners declared that they had reached a major permitting milestone through the filing of the draft Environmental Impact Statement for Donlin Gold. In that press release, the Calista Corporation, owner of the minerals, and The Kuskokwim Corporation, owner of the surface lands, also expressed their strong support for the successful development of the project as a profitable business capable of providing much needed socio-economic benefits to many villages within the broader Yukon-Kuskokwim community and, through the facilities of the Alaska Native Claims Settlement Act (ANCSA), far beyond that. This alignment of partners at the local, state and federal government levels is a beautiful thing to behold.

If gold is positioning itself for better times, and quality equities are cheap, it stands to reason that open-minded investors should be looking closely at the space, however reviled it may be at present. The way I would put it is like this: In the aftermath of the tech bust fifteen years ago, many technology stocks evaporated into oblivion. Even the "good stocks" were down by over 90%. Yet imagine if you could go back, sift through the survivors of the tech bust and pick the winners. The Amazons and Pricelines of the world are up hundreds of times off their lows. Not all of us are smart enough to know how to evaluate a tech company's business plan. But we do not even have to possess much of Voltaire's common sense to understand that, in an industry characterized by enormous barriers to entry – nobody can recreate a unique asset like Donlin in a garage – there will be a few star performers when "maximum pessimism" yields to reason. Therein is the opportunity amidst the rubble of the precious metals equities. Having a second bite of the apple is not reserved just for those who bought Apple. It can be had by carefully selecting an equity in an unpopular asset class with a global brand recognition greater even than Apple itself: gold.

Note: Certain technical information has been changed to be consistent with the Donlin Gold Second Updated Feasibility Study effective November 18, 2011, as amended January 20, 2012.




“We can’t think of any other producing gold mine that had the good fortune of commencing operations with 39 million ounces in resources. And considering that this large gold endowment comes from only a 3-kilometer portion of an 8-kilometer-long mineralized belt, the project’s owners are well-positioned to find even more.”

Greg Lang
president and CEO

Nikolai Village

Nikolai is an Upper Kuskokwim Athabaskan village that has been relocated at least twice since the 1880s. The village was the site of a trading post and roadhouse during the gold rush.



INCORPORATED 1970



Why be interested in NOVAGOLD today?

Dr. Thomas Kaplan

*chairman, board of directors
NOVAGOLD*

A: Our group's vehicle of choice for exposure to gold remains NOVAGOLD. I've been a natural resource investor for over two decades, focusing specifically on what I call the category-killer assets; namely, those assets that are, by their very nature, rare and nearly impossible to replicate. When we entered NOVAGOLD as a white knight at the end of 2008, we did so with the view that the Company's principal asset, Donlin Gold, was the quintessential category-killer: a large, high-grade deposit with a lot of growth potential – and located in Alaska, a premier jurisdiction with a well-developed history of mining. I was also attracted by the notion that NOVAGOLD's partner was Barrick Gold, the largest gold company in the world with a great depth of knowledge of what it takes to build and operate a major North American gold mine. While to some the investment in NOVAGOLD seemed long-dated, to us it represented what John Hathaway likes to refer to as "a perpetual call on the gold price." Now, with the project more than halfway through permitting, it doesn't look long-dated any more. Indeed, as other less-attractive mining projects around the world are being cancelled at an accelerating rate, Donlin Gold has continued its progress at a steady pace.

In today's market, NOVAGOLD is exceptional from a risk/reward standpoint. With \$127 million in cash and debt-free, it has sufficient resources that could sustain the Company for years to come. That, coupled with the fact that under Greg Lang's able and experienced leadership the Company can effectively execute on its plans, gives me – as a large shareholder – comfort that NOVAGOLD is the best vehicle for both favorable and less favorable market conditions. Putting it another way, as an investor, I am in NOVAGOLD to make exceptional returns when the gold price gets back into a secular bull market pattern. Yet I can sleep well at night until that happens.

John Hathaway

*senior portfolio manager
Tocqueville Asset Management*

A: I really do believe that NOVAGOLD is indeed a perpetual call on the gold price. In one of my recent presentations I demonstrated that, by buying a share of NOVAGOLD, investors would be paying approximately 50 percent less than if they had bought a 10-year call option for 100,000 ounces of gold. Plus, with publically traded shares come all the attributes of liquidity one wants to have in a well-traded company compared to a contract, which is, by definition, illiquid and potentially unattainable.

There's another important aspect about NOVAGOLD that I'm quite bullish about: the environment in which Donlin Gold would be nearing production. What I mean is the current atmosphere of low gold discovery rates, particularly in safe jurisdictions. Shrinking mine lives of existing operations and the ever-increasing complexities of putting new mines into production could be hugely beneficial to NOVAGOLD as it gets closer to bringing its new long-life, low-cost gold mine into production.

In "Paper Gold: Utopia For Alchemists," I speak about the acute shortage of readily marketable physical gold – and how it will deepen in the years to come. Relentless dumping of synthetic or paper gold contracts since 2011 by speculators in Western financial markets has caused the shortage; the steady selling has driven down the price of physical gold, hobbling the gold-mining industry and draining the stores held in the vaults of Western financial centers. Moreover, we believe this shortage will worsen because (1) as previously mentioned, the precursors of production (exploration, discovery, reserve life) are very negative, (2) the mining industry has little financial credibility and seems unlikely to attract capital even with a big rise in gold prices, and (3) refining capacity limitations tend to create supply bottlenecks when physical demand spikes. In our view, this raises an extremely bullish case for the future of gold prices, and there are a small number of companies well-positioned to generate dynamic and exceptional performance for their investors once the uptrend begins to take hold.



Kongiganak Scenery

Kongiganak is a coastal village situated on the Kuskokwim Bay, west of the mouth of the Kuskokwim River. Residents use snow machines and dogsleds in the winter and small boats in the summer to travel to Bethel and other surrounding villages.



Q:

What makes the Donlin Gold project unique among other large undeveloped projects? What's so exceptional about the ore body?

Greg Lang
president and CEO
 NOVAGOLD

A: Donlin Gold represents tremendous value for all of our stakeholders. With the stated 39 million ounces of gold in the measured and indicated resource category – at an average grade of 2.24 grams per tonne – Donlin Gold is one of the largest and highest-grade undeveloped open-pit gold deposits in the world. With this endowment, the future mine is expecting to yield, on average, approximately 1,100,000 ounces of gold per year over its projected 27-year life, and even more in the first five years. This is especially important in an industry where average grades are declining and sources for emerging significant production are increasingly scarce. The grade at Donlin Gold is more than double the average grade of other gold projects currently in development. As a result of the asset's scale and quality, the economics of the project are incredibly attractive, with life-of-mine cash costs of \$585 per ounce. Plus, we're very comfortable working in Alaska, where the Company is genuinely welcome not only by its Native Corporation partners, but also by other stakeholders. Responsible mining is welcome in Alaska.

Rob Krcmarov
senior vice president global exploration
 Barrick Gold

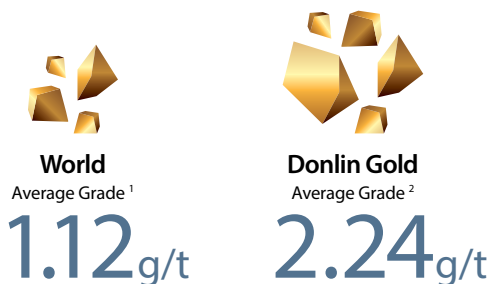
A: With 39 million ounces of measured and indicated resources, the Donlin Gold ore body is one of the largest unexploited gold resources in the world. There are also a number of excellent opportunities to expand the resource in areas north of the main deposit, and at 2.24 grams per tonne, the gold grade at Donlin Gold is considerably higher than average industry grades. In sum, the potential of the Donlin Gold project is undisputed. It is a world class asset with the potential to generate significant value for Barrick, NOVAGOLD and our community partners.

John Bridges*
analyst
 J.P. Morgan

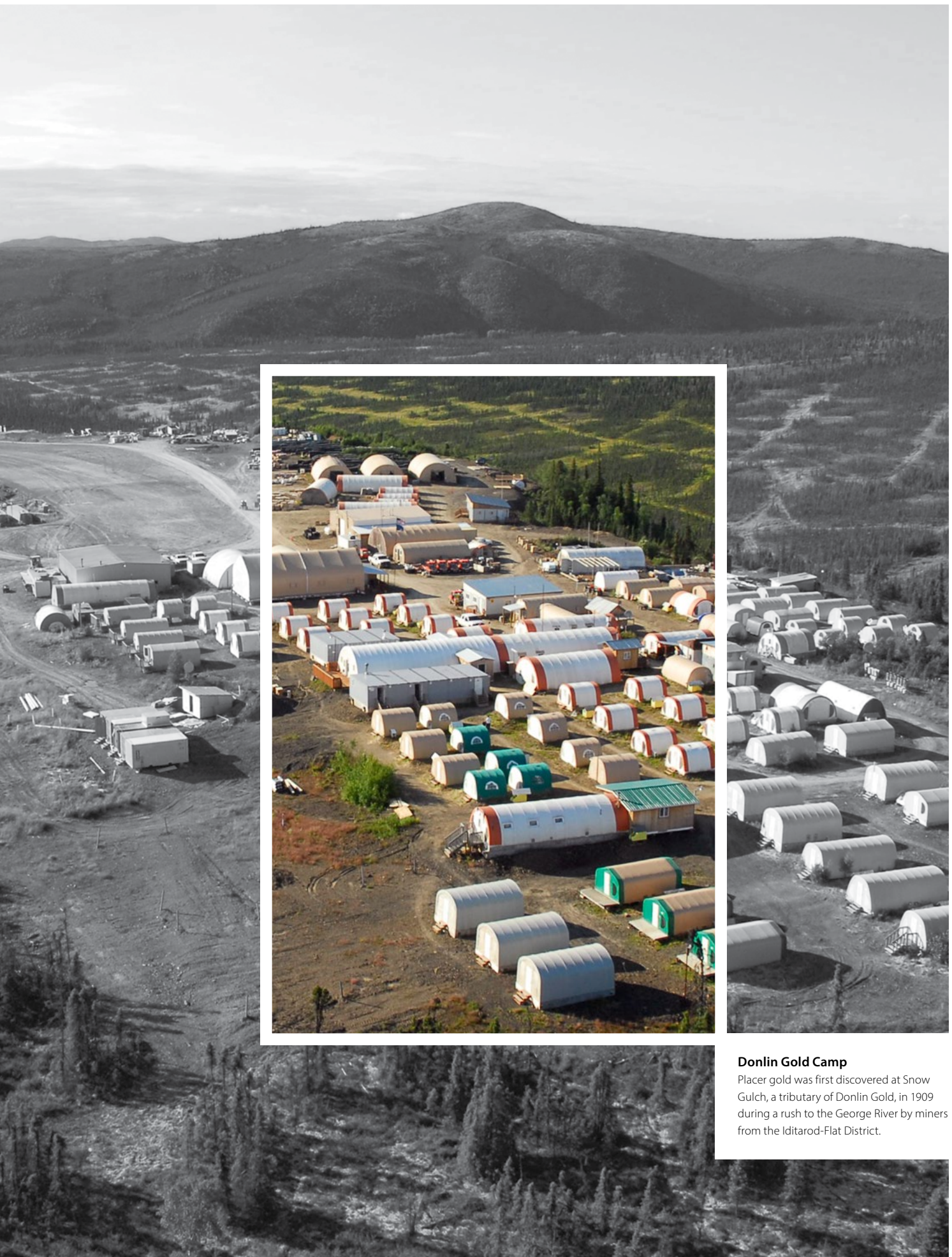
A: NOVAGOLD continues to be focused on the permitting of Donlin Gold, a process I've characterized as a quiet haven of permitting peace in a volatile precious metals sector. The project has approximately two years of permitting left to go. I'm comforted by the fact that the Company is able to see this important process through without needing to raise any more money. The permitting process is in effect an implicit guarantee that every constituency affected by the project has a chance to voice its concerns and the Company has the capacity to respond to these concerns thoroughly. Once this process is over and the permits are issued, all parties should be ready to proceed on a path toward production. That doesn't mean that Donlin Gold would be built in any gold price environment. I'm gratified by the fact that both Barrick and NOVAGOLD are clearly on record as saying that the price of gold must be right before Donlin Gold is built. With so many macro- and micro-economic factors pointing to a more robust price environment than we see today, investors in NOVAGOLD should be well-positioned to derive a lot of value from the successful and timely development of Donlin Gold.

**Mr. Bridges' comments are based on published research.*

Double the Grade of the Average Deposit



1) 2014 average grade of open-pit and underground deposits with gold as primary commodity and over 1 Moz in measured and indicated resources, sourced from SNL Metals & Mining.
 2) Donlin Gold data as per the second updated feasibility study effective November 18, 2011, as amended January 20, 2012. Represents 100% of measured and indicated resources of which NOVAGOLD's share is 50%. Measured and indicated resources are inclusive of proven and probable reserves.



Donlin Gold Camp

Placer gold was first discovered at Snow Gulch, a tributary of Donlin Gold, in 1909 during a rush to the George River by miners from the Iditarod-Flat District.

Q:

How did the Donlin Gold project come to be? Who owns the land?

David Deisley

*executive vice president and general counsel
NOVAGOLD*

A: The Donlin Gold deposit is located on Calista Corporation mineral lands with Donlin Gold LLC as the operator under a mining lease agreement with Calista, one of 13 regional Alaska Native Corporations established as part of the Alaska Native Claims Settlement Act (ANCSA) of 1971. The Kuskokwim Corporation (TKC), an entity formed in 1977 by 10 ANCSA village corporations located along the middle region of the Kuskokwim River, is the owner of the surface rights for most of the project lands. Donlin Gold LLC operates under a surface use agreement with TKC. These agreements are life-of-mine agreements and provide royalties, employment opportunities, scholarships, and preferential contract considerations. Both Calista and TKC remain important and supportive stakeholders of the project, and both will participate in its economic benefits.

Andrew Guy

*president and CEO
Calista Corporation*

A: As an ANCSA corporation, Calista has two primary goals: generate profit for the corporation and its shareholders, and provide other socio-economic opportunity and benefits to the shareholders and their descendants. The Donlin Gold project has already provided vocational training and employment opportunities that otherwise do not exist in the economically challenged Yukon-Kuskokwim Delta – and it's anticipated to continue to do so. Improved transportation and communication infrastructure to support the mine, including port and pipeline facilities, can potentially provide better services and lower cost of goods to local residents. Ultimately, economic development of such a large project will help fulfill the broader goal of self-determination by allowing residents and Calista shareholders to significantly participate in the world economy. Calista intends to be an active, involved participant in the development of our land and mineral resources at Donlin Gold.





Grass Basket Weaving

Traditionally, grass baskets were woven to store food. In later years, as grass baskets became sought after by collectors, they were woven as a source of income. Few remain who carry on this tradition today.

Q:

How big is the Donlin Gold property? Describe its exploration potential beyond the 39-million-ounce resource already identified – and what that represents to Calista and The Kuskokwim Corporation (TKC) shareholders.

Richard Williams

*vice president, engineering and development
NOVAGOLD*

A: Donlin Gold has excellent exploration potential, with the opportunity to expand the current open-pit resource both along strike and at depth. Considering that the current pit occupies approximately 3 kilometers of an 8-kilometer mineralized belt, we believe it's likely that either Donlin Gold's mine life (already measured in decades) or its ultimate production profile – or both – will be greater than anticipated. Additionally, the resource pit shell area covers approximately 1,600 acres, comprising 2 percent of the entire land package. And there may be additional gold targets.

Andrew Guy

*president and CEO
Calista Corporation*

A: With mine infrastructure in place, additional gold resources on the large mineralized property within the lease area will become more accessible to development. Additionally, other mineral properties in the region, both on and off ANCSA lands, will become more attractive to future explorers and investors. The cumulative successes will make the industry more sustainable – and that will benefit the economy of the Calista region as a whole.

Maver Carey

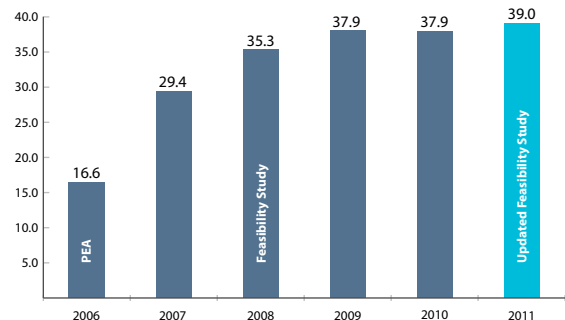
*president and CEO
The Kuskokwim Corporation*

A: The Yukon-Kuskokwim region is one of the most culturally vibrant and beautiful parts of Alaska, but it is also the poorest region in the state. Our people have very limited employment opportunities and most live below poverty standards. Thus, Donlin Gold's continued presence in the region over the past two decades – and the partnership we've developed through the updated Surface Use Agreement – represent tremendous opportunities for the shareholders of our 10 villages and the broader Yukon-Kuskokwim community.

Subsistence is a core component of our way of life. But in today's world, our communities cannot thrive without wage employment, educational and training opportunities, and access to health care. Calista selected the mineral rights at Donlin and TKC the surface lands specifically so that our shareholders would benefit from the development of its mineral endowment. The project has the potential to create jobs and financial benefits for TKC and the people in the region, while respecting our culture, our values, and our home – enabling our shareholders to continue their traditional ways of life for generations to come.

Reserves & Resources Growth

M&I Au Resources (Moz)



Donlin Gold data as per NOVAGOLD public documents. 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. See Reserves & Resources Footnotes on page 31.



Fishing on the Kuskokwim River

Locals in the Yukon-Kuskokwim region rely heavily on the annual salmon runs, with most families putting away hundreds of pounds of fish every summer. A healthy river means a thriving community, connecting families and villages to each other and sustaining their traditional ways of life.



What were your key milestones last year? And what are the remaining steps in the Donlin Gold permitting process?

Ron Rimelman

vice president, environmental, health, safety and sustainability
NOVAGOLD

A: We're past the halfway point in Donlin Gold's Environmental Impact Statement (EIS) process – a significant milestone. The process began in December 2012 with the publication of a Notice of Intent by the U.S. Army Corps of Engineers. To date, the Corps has completed the public scoping process, worked with the cooperating agencies to identify and select a reasonable range of alternatives to Donlin Gold's proposed action, prepared a complete preliminary draft EIS that was reviewed by the cooperating agencies, and, on November 27, 2015, published a draft EIS for public review – at the same time issuing the Public Notice for the Clean Water Act Section 404 (Wetlands) permit application.

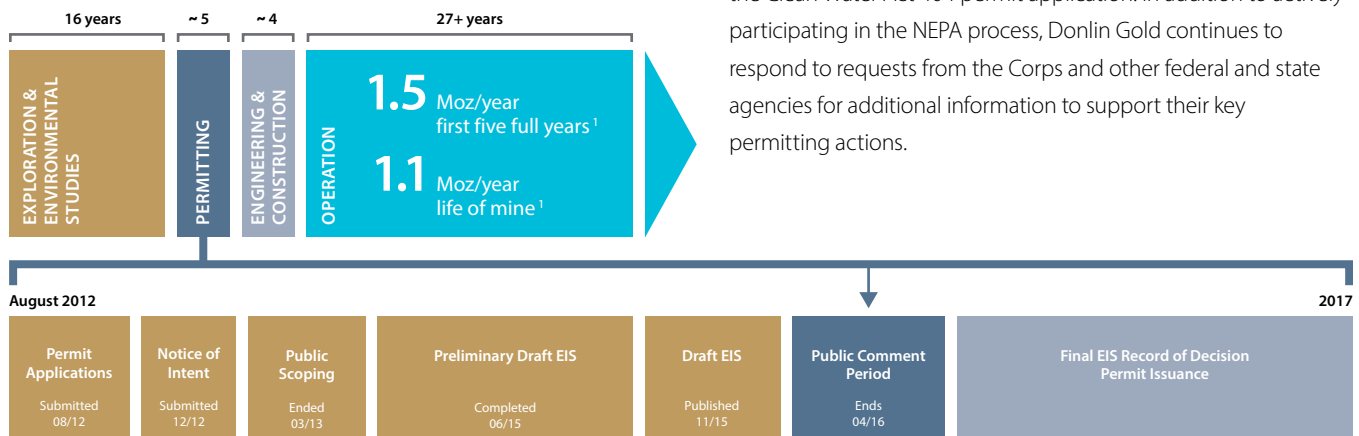
Concurrent with the EIS process, Donlin Gold is working to ensure timely receipt of all the required state permits for the project. The Air Quality and Integrated Waste Management permit applications were submitted to the Alaska Department of Environmental Conservation; Donlin Gold also submitted lease applications to the Alaska Department of Natural Resources, and continued to work with their Dam Safety Program on its dam application package. When the permitting process nears completion, the owners of Donlin Gold will make a decision on the next stage: construction.

Stan Foo

general manager
Donlin Gold LLC

A: In addition to meeting and supporting key permitting targets – including the filing of the draft EIS, the most time-consuming component – Donlin Gold continued its community involvement and outreach programs in the Yukon-Kuskokwim (Y-K) region and throughout Alaska, which has kept local residents engaged and informed during the permitting process. Following the publication of the draft EIS, a five-month public comment period commenced in December 2015 with public meetings in 15 villages in the Y-K region and Anchorage. The Corps will host public meetings and present an overview of the draft EIS, which considers the potential environmental, social, and economic impacts of the proposed project along with seven alternatives: (1) no action, (2) proposed applicant action, (3) upriver port at Birch Tree crossing, (4) a pipeline route alternative, (5) haul trucks fueled by liquefied natural gas (LNG) versus diesel, (6) diesel pipeline versus natural gas pipeline, and (7) dry stack tailings. The Corps will accept comments on the draft EIS until the end of April 2016 and will subsequently review and respond to the comments in a final EIS – which the Corps' schedule anticipates should be published in 2017.

Looking at the year ahead, key areas of focus will include responding to requests for additional information from the Corps to assist in responding to public comments on the draft EIS and the Clean Water Act 404 permit application. In addition to actively participating in the NEPA process, Donlin Gold continues to respond to requests from the Corps and other federal and state agencies for additional information to support their key permitting actions.



¹) Donlin Gold data as per the second updated feasibility study. Projected average annual production represents 100% of which NOVAGOLD's share is 50%.



Smokehouse in Glenora

Dried, smoked salmon is a staple for many living in the remote villages of Northern British Columbia.





What are the next steps after the receipt of permits? When could construction begin on the Donlin Gold project? And what are your thoughts on project execution?

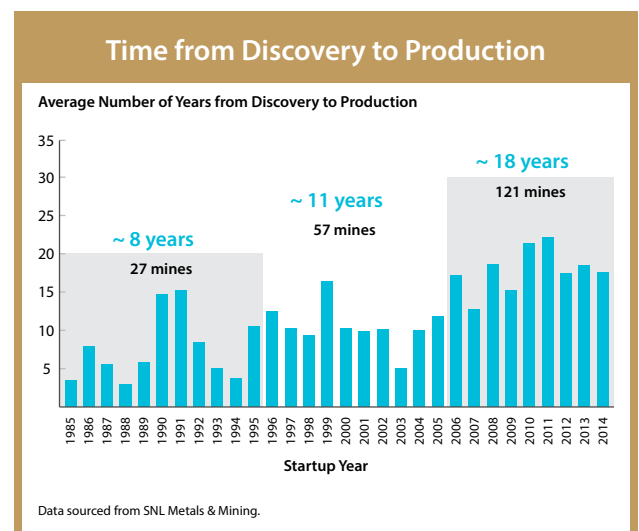
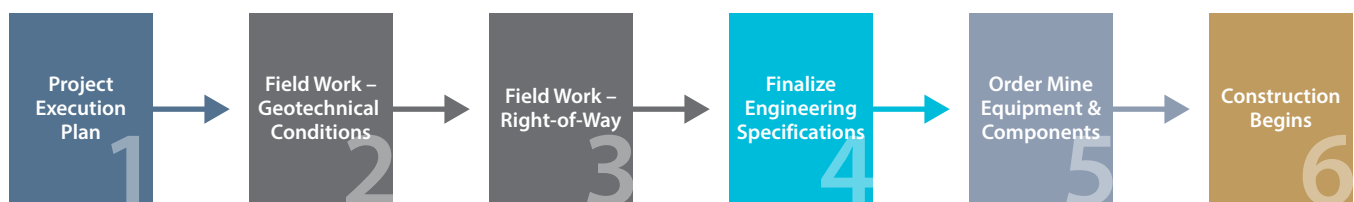
Richard Williams

*vice president, engineering and development
NOVAGOLD*

A: The permitting process was initiated based on the project described in the Second Updated Feasibility Study dated November 18, 2011 and amended and filed on January 20, 2012. Basic and detailed engineering is required to advance the project design from the feasibility level to construction-ready. Additional field work, e.g. drilling to further define geotechnical conditions in the area of the proposed tailings facility embankment, will be undertaken in support of the detailed engineering. Work will also take place along the natural gas pipeline right-of-way to finalize the pipeline alignment and plans for borrow sites and river crossings. As engineering specifications are finalized, orders will be placed for mine equipment and plant components (such as mills, crushers, motors, and pumps), as well as pipe

and other bulk materials. All of these actions will be identified in a well-thought-out Project Execution Plan (PEP) that will be used to manage scope and to reduce the risks inherent in implementation. The first development works would be the execution of site capture, which includes port facilities, airport, roads, and camp.

My experience has shown that it is key to assemble the right project team and gain their buy-in during the development of the execution plan. This includes obtaining input from the construction personnel who will be in the field. The more time and effort spent in developing the PEP prior to a construction decision, the higher the chance of success in executing the job. In other words, “plan the work and work the plan.”





Working at Donlin Gold

Donlin Gold is committed to providing sustainable jobs that allow residents to remain in the Yukon-Kuskokwim region. Nearly 90 percent of employees who have worked at the Donlin Gold camp have been regional shareholders and descendants.



Q:

Community relations and outreach are essential to the success of a mining project. What has Donlin Gold achieved in this regard?

David Deisley

*executive vice president and general counsel
NOVAGOLD*

A: Local communities are our neighbors – and at Donlin Gold, they’re the owners of the minerals and land on which the project will be built and operated. Over the 20 years that activities have taken place at the project, Donlin Gold has consistently sought to build strong community partnerships, reach equitable participation agreements, and maintain good communications with our Alaska Native Corporation stakeholders, local communities, and state and federal regulators. At the same time, we’ve collected extensive environmental baseline data to facilitate permitting of the project – and developed training and employment programs to engage the local population and businesses in its advancement.

Investments in the Yukon-Kuskokwim region are focused on opportunities to improve community and regional sustainability, education, cultural preservation, and environmental stewardship. In 2015, the Donlin Gold team visited more than 60 villages, fish camps, fairs, and associations throughout the Yukon-Kuskokwim region. The visits included presenting project updates to the communities in both English and Yup’ik, encouraging participation in and feedback at the upcoming draft EIS public meetings, as well as school visits to speak to students about education, training, future employment opportunities, and overall workforce development needs. We’re very proud of the relationships that we have with our community partners. We’ve taken the time to listen to their concerns, and carefully designed our project to mitigate those concerns.

Maver Carey

*president and CEO
The Kuskokwim Corporation*

A: Our families have lived off this land for generations and we want to make sure it is developed both responsibly and in a way that benefits the shareholders of The Kuskokwim Corporation. I regularly visit our shareholders in each village, and have recently noticed that local residents no longer have questions on the Donlin Gold project like they did 15 years ago. Many are already well-informed on the scope of the project, a testament to the open and transparent approach taken by the Donlin Gold team (who continues to play an active role in the region). With a working relationship spanning over 20 years, a solid foundation of trust has been established among the residents of the area, the ANCSA corporations, and Donlin Gold.

Yukon-Kuskokwim Region Outreach

545

Provided 545 dictionaries to third graders in 50 schools as part of the **National Dictionary Project**

52

Sponsored the **Clean Up Green Up Initiative** which took place in 52 Y-K villages

50

Distributed life vests and safety messages to over 50 villages as part of the **Kids Don’t Float Campaign**

30

Held over **30 community meetings** throughout the year

12

Sponsored or participated in over **12 local fairs, festivals, and camps**



Atmautluak Village

Villages such as Atmautluak are tight-knit communities with a strong emphasis on family.



In two years' time, could you proceed with the development of the Donlin Gold project? If so, how would you finance its capital expenditures?

David Ottewell

*vice president and chief financial officer
NOVAGOLD*

A: The co-owners will evaluate the economics of the Donlin Gold project once the permitting phase is complete and we're in a position to make a construction decision. That's a couple of years away, so we have time to think about strategy. In principle, when gold increases in value, we expect Donlin Gold to look incredibly attractive. NOVAGOLD takes a long-term view of the asset, which is an extremely rich gold deposit whose value is to be maximized for all its stakeholders rather than given away in a low gold price environment.

For us, NOVAGOLD's shares are as precious as the metal itself. When the time is right, we expect to have multiple financing options available, including equity, debt, equipment leases, and third-party owner/operator arrangements. In the meantime, we're working with Barrick to explore ways to reduce the initial cost of building the project.

We believe that NOVAGOLD has sufficient funds to cover its share of anticipated funding for Donlin Gold, as well as general and administrative costs, through to the completion of permitting.

Kelvin Dushnisky

*president
Barrick Gold*

A: The Donlin Gold project has the potential to become a world class asset for Barrick and for our partner NOVAGOLD. We would like nothing more than to see this potential realized. At the same time, we are very focused on disciplined capital allocation. Working with NOVAGOLD, we continue to evaluate potential design and execution enhancements to further improve the economics of the project. The goal is to ensure the project can meet our investment criteria at prevailing gold prices when permitting at Donlin Gold is complete. In the interim, given the current stage of the project, it is too soon to speculate on what form project financing might take. What we can say, however, is that we will continue to strengthen our balance sheet and improve our financial flexibility, so that we have the option to pursue opportunities such as the Donlin Gold project in the future.

Cash and Term Deposits ¹

\$127_M

Sufficient cash to meet the company's financial obligations and advance the Donlin Gold project through the remaining permitting process

1) Includes \$85M in term deposits as of November 30, 2015.

2016 Budget ²

\$25_M

\$9.0M Donlin Gold
\$1.0M Galore Creek
\$15.0M G&A, interest, and Donlin Gold joint studies

2) 2016 anticipated budget expenditure disclosed on January 27, 2016.

Training Musher

Dog mushing has been part of life in Alaska since its earliest days, and is often still the best way to travel between remote communities in the winter months. Professional mushers train year-round, with teams numbering anywhere from three to sixteen dogs.





What does the Donlin Gold asset represent for your company? And what does it mean to the people of the Yukon-Kuskokwim region?

Mélanie Hennessey

vice president, corporate communications
NOVAGOLD

A: Donlin Gold is indeed remarkable. It has size and extraordinary grade, industry-leading projected output, a low-cost structure, a company-making mine life, excellent exploration upside, strong local partnerships, and jurisdictional safety – all the key ingredients that are required to build a modern, cost-effective mine. In an era defined by quality asset scarcity, Donlin Gold is a truly unique and attractive gold asset that offers investors all the leverage they could wish for when higher gold prices return.

But the project represents even more than that. Donlin Gold is located in the Yukon-Kuskokwim region of Southwest Alaska, an area of dispersed communities whose Alaska Native residents are largely dependent on subsistence living and traditional ways of life. Given the remote location of these communities, the cost of living is very high – and wage employment opportunities are extremely limited. Consequently, youth move to cities in order to obtain education, workforce training, and employment, further weakening local communities and their economies. Through economic stimulus and job creation, in addition to social and community development, Donlin Gold has the opportunity to bring tangible benefits to these areas that are often under-served and economically challenged. Moreover, the project could create a unique incentive for people to return to their region, enhancing economic development and opportunity in a way that is consistent with traditional ways of life.

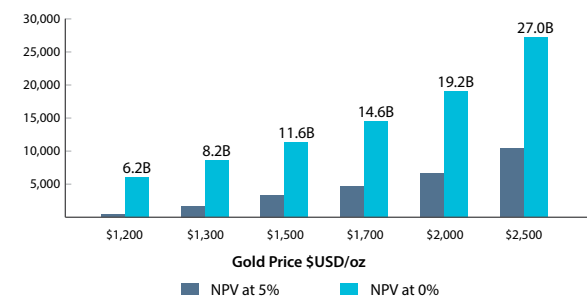
Leonard Morgan

resident
Aniak, Alaska

A: I am from the village of Aniak. I have been there for most of my life. Aniak is not very big, about 600 or 700 people. It is growing, but the youth have to move elsewhere. There is nothing going on for them there or in any other village right now. So many people are out of work; there are no jobs available. But if a project like Donlin Gold came through, there would be new opportunities. People are already getting ready for it, and they are really excited. Actually, a large part of the reason that I have stayed in Aniak for so long is to see the development of the project and its impact on the region. You can see that kids are more into education now that they know about job opportunities that the project will bring. They have the motivation to work hard, achieving higher levels of training and education so that they can plan for their future.

Significant Upside Value

Net Present Value (NPV) (US\$ in millions)



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 and reflect after-tax net present value (at a 0% and 5% discount rates) of the Donlin Gold project as of 1/1/2014. At a 5% discount rate, the net present value is: \$547m @ \$1,200/oz gold; \$1,465m @ \$1,300/oz gold; \$3,147m @ \$1,500/oz gold; \$4,581m @ \$1,700/oz gold; \$6,722m @ \$2,000/oz gold; and \$10,243m @ \$2,500/oz gold. Project development costs prior to 1/1/2014 are treated as sunk costs.



Yup'ik Classroom

Thanks to the efforts of people who recognize the importance of preserving Native cultures, the Yup'ik language remains strong in many Calista villages.

Q:

How do you view the opportunity at Galore Creek? What copper price would we need to see before market participants take interest in the project?

Richard Williams

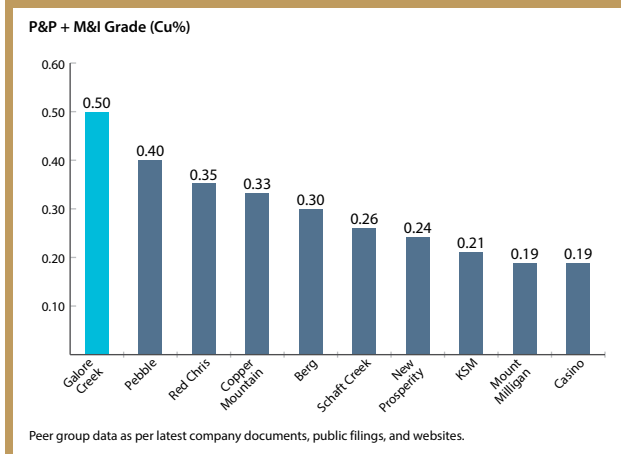
vice president, engineering and development
NOVAGOLD

A: NOVAGOLD and Teck have invested materially in Galore Creek, located in the traditional territory of the Tahltan Nation in northwestern British Columbia. It's an asset a company can be built around, and is expected to be one of the largest and highest-quality, lowest-cost copper producers in Canada – one of the few safe jurisdictions remaining for copper miners.

Although we continue to evaluate opportunities to monetize our interest in the Galore Creek project to support development of Donlin Gold, we are fortunate to have the flexibility to continue to enhance the value of the asset with minimal spending as we wait for market conditions to improve. As such, we recently completed a visit to the site, where we gathered additional information that will help us optimize the integrated mining, waste rock and water management conceptual designs. Additionally, we have initiated a generalized study of tunneling practice for site access and material handling.



Copper Grade Comparison





Tahltan Literacy Camp
Children have opportunities to learn from Elders and other guests from their home communities, passing on traditional ways of life from generation to generation.

Reserves & Resources

Donlin Gold *				
	Tonnage (100%)	Grade (100%)	Metal (100%)	NOVAGOLD Share (50%)
GOLD	Mt	g/t Au	koz Au	koz Au
Reserves¹				
Proven	7.7	2.32	573	286
Probable	497.1	2.08	33,276	16,638
P&P	504.8	2.09	33,849	16,924
Resources³, inclusive of Reserves				
Measured	7.7	2.52	626	313
Indicated	533.6	2.24	38,380	19,190
M&I	541.3	2.24	39,007	19,503
Inferred	92.2	2.02	5,993	2,997
Galore Creek *				
	Tonnage (100%)	Grade (100%)	Metal (100%)	NOVAGOLD Share (50%)
COPPER	Mt	% Cu	Mlb Cu	Mlb Cu
Reserves²				
Proven	69.0	0.61	921	460
Probable	459.1	0.58	5,892	2,946
P&P	528.0	0.59	6,813	3,406
Resources⁴, inclusive of Reserves				
Measured	108.4	0.48	1,146	573
Indicated	706.3	0.50	7,786	3,893
M&I	814.7	0.50	8,932	4,466
Inferred	346.6	0.42	3,226	1,613
GOLD				
	Mt	g/t Au	koz Au	koz Au
Reserves²				
Proven	69.0	0.52	1,154	577
Probable	459.1	0.29	4,298	2,149
P&P	528.0	0.32	5,452	2,726
Resources⁴, inclusive of Reserves				
Measured	108.4	0.48	1,656	828
Indicated	706.3	0.28	6,366	3,183
M&I	814.7	0.31	8,022	4,011
Inferred	346.6	0.24	2,697	1,348
SILVER				
	Mt	g/t Ag	Moz Ag	Moz Ag
Reserves²				
Proven	69.0	4.94	11.0	5.5
Probable	459.1	6.18	91.2	45.6
P&P	528.0	6.02	102.1	51.1
Resources⁴, inclusive of Reserves				
Measured	108.4	4.10	14.3	7.1
Indicated	706.3	5.38	122.1	61.0
M&I	814.7	5.21	136.4	68.2
Inferred	346.6	4.28	47.7	23.9

* Mineral reserves & resources are reported on 100% and 50% basis for each project. NOVAGOLD and Barrick each own 50% of the Donlin Gold project. NOVAGOLD and Teck each own 50% of the Galore Creek project.

t = metric tonne
oz = ounce
lb = pound

k = thousand
M = million
g/t = grams/tonne

Approximate cut-off grades (see Reserves & Resources Footnotes):

Donlin Gold

Reserves¹: 0.57 g/t gold
 Resources³: 0.46 g/t gold

Galore Creek

Reserves²: C\$10.08 /t NSR
 Resources⁴: C\$10.08 /t NSR

Notes:

- These reserve and resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standard, unless otherwise noted.
- See numbered footnotes below on resource information.
- Rounding and significant figures may result in apparent summation differences between tonnes, grade and contained metal.
- Tonnage and grade measurements are in metric units. Contained gold and silver ounces are reported as troy ounces, contained copper pounds as imperial pounds.

Reserves & 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 reserves are contained within measured and indicated pit designs using metal prices for copper, gold and silver of US\$2.50/lb, US\$1,050/oz, and US\$16.85/oz, respectively. Appropriate mining costs, processing costs, metal recoveries and inter ramp pit slope angles varying from 42° to 55° were used to generate the pit phase designs. Mineral reserves have been calculated using a 'cashflow grade' ($\text{NSR}/\text{SAG mill hr}$) cut-off which was varied from year to year to optimize NPV. The net smelter return (NSR) was calculated as follows: $\text{NSR} = \text{Recoverable Revenue} - \text{TCRC}$ (on a per tonne basis), where: $\text{NSR} = \text{Net Smelter Return}$; $\text{TCRC} = \text{Transportation and Refining Costs}$; $\text{Recoverable Revenue} = \text{Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using metal prices of US}\$2.50/\text{lb, US}\$1,050/\text{oz, and US}\$16.85/\text{oz for copper, gold, and silver, respectively, at an exchange rate of CDN}\$1.1 \text{ to US}\$1.0$. $\text{Cu Recovery} = \text{Recovery for copper based on mineral zone and total copper grade}$; for mineral reserves this NSR calculation includes mining dilution. SAG throughputs were modeled by correlation with alteration types. Cash flow grades were calculated as the product of NSR value in \$/t and throughput in t/hr. The life of mine strip ratio is 2.16.
- 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% * (Au price - 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. Assuming an average recovery of 89.54% and an average 5% grade of 1.07%, the marginal gold cutoff grade would be approximately 0.46 g/t, or the gold grade that would equate to a \$0.001 NSR cutoff at these same values. Mineral resources are inclusive of mineral reserves. Mineral resources 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. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. See following "Cautionary Note Concerning Reserve & Resource Estimates".
- Mineral resources are contained within a conceptual measured, indicated and inferred optimized pit shell using the same economic and technical parameters as used for mineral reserves. Tonnages are assigned based on proportion of the block below topography. The overburden/bedrock boundary has been assigned on a whole block basis. Commodity prices used to constrain the mineral resources are US\$2.50/lb copper, US\$1,050/oz gold, and US\$16.85/oz silver. Mineral resources have been estimated using a constant NSR cut-off of C\$10.08/t milled. The Net Smelter Return (NSR) was calculated as follows: $\text{NSR} = \text{Recoverable Revenue} - \text{TCRC}$ (on a per tonne basis), where: $\text{NSR} = \text{Diluted Net Smelter Return}$; $\text{TCRC} = \text{Transportation and Refining Costs}$; $\text{Recoverable Revenue} = \text{Revenue in Canadian Dollars for recoverable copper, recoverable gold, and recoverable silver using the economic and technical parameters mentioned above}$. The mineral resource includes material within the conceptual MJ&I pit that is not scheduled for processing in the mine plan but is above cut-off. Mineral resources are inclusive of mineral reserves. Mineral resources 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. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. See following "Cautionary Note Concerning Reserve & Resource Estimates".

Cautionary Note Concerning Reserves & Resources Estimates

This summary table uses the term "resources", "measured resources", "indicated resources" and "inferred resources". United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the United States Securities and Exchange Commission (the "SEC") does not recognize them. Under United States standards, 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. Investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to "indicated resource", "measured resource", or "mineral reserve" status. Therefore, investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations, however, the SEC 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 resources contained in this release may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

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 resource estimates contained in this annual report have been prepared in accordance with Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) - CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended ("CIM Definition Standards").

Forward-Looking Statements

This annual 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, the timing of permitting and potential development of Donlin Gold, statements relating to NOVAGOLD's future operating and financial performance, outlook, and the potential sale of all or part of NOVAGOLD's interest in Galore Creek are forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", and similar expressions, or statements that events, conditions, or results "will", "may", "could", or "should" occur or be achieved. These forward-looking statements may include statements regarding the 2016 outlook; perceived merit of properties; anticipated permitting timeframes; exploration results and budgets; mineral reserve and resource estimates; work programs; capital expenditures; timelines; strategic plans; completion of transactions; market prices for precious and base metals; 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 the need to obtain permits and governmental approvals; 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 and Teck Resources Limited for the continued exploration and development of the Donlin Gold and Galore Creek properties, respectively; 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; unexpected cost increases, which could include significant increases in estimated capital and operating costs; fluctuations in metal prices and currency exchange rates; and other risk and uncertainties disclosed in NOVAGOLD's annual report filed on Form 10-K for the year-ended November 30, 2015 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 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.

Technical Reports and Qualified Persons

The documents referenced below provide supporting technical information for each of NOVAGOLD's projects.

Project	Qualified Person(s)	Most Recent Disclosures & Filing Date
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.
Galore Creek	Jay Melnyk, P.Eng., AMEC Greg Kulla, P.Geo., AMEC	"Galore Creek Copper-Gold Project NI 43-101 Technical Report on Pre-Feasibility Study, British Columbia - Canada" effective July 27, 2011.

Clifford Krall, P.E., who is the Mine Engineering Manager for NOVAGOLD and a qualified person under NI 43-101, has approved the scientific and technical information related to the Donlin Gold and Galore Creek projects contained in this annual report.

Corporate Information



Management *(shown left to right)*

Ron Rimelman

vice president, environment, health, safety and sustainability

David Deisley

executive vice president and general counsel

Greg Lang

president and chief executive officer

Richard Williams

vice president, engineering and development

Mélanie Hennessey

vice president, corporate communications

David Ottewell

vice president and chief financial officer

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 United States)

1.514.982.7555 (international direct dial)

computershare.com

Auditors

PricewaterhouseCoopers LLP

Share Listings

TSX, NYSE-MKT: NG

Issued at January 20, 2016, 319.3 million

Board of Directors

Dr. Thomas Kaplan

chairman, NOVAGOLD RESOURCES INC.;
chairman and chief investment officer, The Electrum Group LLC,
natural resources investment management company

Sharon Dowdall ^(1,2)

corporate director

Marc Faber ⁽⁴⁾

managing director, Marc Faber Ltd, investment advisory and
fund management firm

Greg Lang ^(3,5)

president and CEO, NOVAGOLD RESOURCES INC.

Gillyeard Leathley ⁽³⁾

COO and director, Sunward Resources Ltd;
former COO, Homestake Mining Company

Igor Levental ^(4,5)

president, The Electrum Group LLC, natural resources
investment management company

Kalidas Madhavpeddi ^(1,2)

overseas CEO, China Molybdenum Company Limited;
former executive with Phelps Dodge

Gerald McConnell ^(4,5)

CEO, Namibia Rare Earths Inc.

Clynton Nauman ^(1,3)

CEO, Alexco Resource Corp.

Rick Van Nieuwenhuysse ^(3,5)

president and CEO, NovaCopper Inc.;
founder and former CEO, NOVAGOLD RESOURCES INC.

Anthony Walsh ^(1,2)

corporate director

Members of:

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

Annual General Meeting

Friday, May 13, 2016 – 1 pm PT
Blake, Cassels & Graydon
Pacific Room, 26th floor
595 Burrard Street
Vancouver, BC, Canada V7X 1L3

Investor Inquiries

T: 604.669.6227 or 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 V6C1H2
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



Donlin Gold Camp

The Donlin Gold project is located in the historic Kuskokwim Gold Belt of Southwest Alaska, 10 miles north of the village of Crooked Creek.

Commitment to Sustainability

Environmental protection is a fundamental element of NOVAGOLD's business strategy. The Company supports a project development plan that considers full life-of-mine risks and opportunities, from exploration through to development, construction, operations and finally closure and reclamation. Through collaboration with local communities, Alaska Native and Tahltan Nation partners, as well as through extensive environmental studies, NOVAGOLD is able to maintain a holistic view of the project's life cycle and incorporate industry-leading innovations to minimize and mitigate risk.

NOVAGOLD | SOLID.
SECURE.
GOLDEN.

novagold.com