

NOVAGOLD

2014 Annual Report

Solid. Secure. Golden.





1 Profile  
2 Donlin Gold  
3 Shareholder Letter  
6 Yup'ik Language and Culture  
8 Financial Strength  
12 A Subsistence Way of Life  
14 Galore Creek  
18 The People's Connection to the River  
20 Jurisdictional Safety  
24 Economic Opportunities and Workforce Development  
26 Sustainable Practices  
30 Reserves and 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 and 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.

NOVAGOLD offers an unrivaled opportunity for investors seeking leverage to gold. Our 50 percent-owned flagship Donlin Gold project is a uniquely attractive asset which – in terms of size, grade, exploration potential, production profile, mine life, and jurisdictional safety – is quite possibly the most important gold project in the world today. Moreover, our 50 percent-owned Galore Creek project has the potential to be Canada’s largest and lowest-cost copper mine. NOVAGOLD is in the enviable position of being well-funded with a cash balance of \$165 million as of November 30, 2014, sufficient to fulfill all of its current financial obligations as well as fund the advancement of Donlin Gold through the permitting process.

## Profile



## Reserves <sup>1</sup>

Proven & Probable

34 MoZ *Grade: 2.1 g/t*

## Resources <sup>1,2</sup>

Measured & Indicated

39 MoZ *Grade: 2.2 g/t*

Inferred

6 MoZ *Grade: 2.0 g/t*

### Notes:

- 1) Shown on 100% project basis, of which NOVAGOLD holds a 50% interest.
- 2) Measured and indicated resources inclusive of proven and probable reserves. See "Cautionary Note Concerning Reserve & Resource Estimates" and "Reserve & Resource Base" with footnotes in the appendix.



The Donlin Gold project is located in the historic Kuskokwim Gold Belt of southwestern Alaska, 10 miles north of the Middle Kuskokwim River village of Crooked Creek. Using nearly any metric, this project is one of the most promising gold assets in development today.

**Donlin Gold** ([click here to learn more](#))



*For our 2014 annual report, NOVAGOLD's management team responded to the questions investors ask most – even the tough ones. Their answers just might surprise you.*



**Dr. Thomas S. Kaplan**  
chairman

***You have said for several years that Donlin Gold is the most important pure gold project in development today. That's a bold statement. What gives you both such strong conviction?***

**Dr. Kaplan:** I've been blessed over the past two decades to have made a fine living in natural resources as a consequence of three main factors: surrounding myself with some of the highest quality people in the sector, focusing on "category-killer" assets when their sector is out of favor, and having the conviction to wait for the big payday when the fundamentals and sentiment intersect. From silver and platinum to hydrocarbons, my team and I have had the privilege of finding or gaining significant influence over some of the most attractive mining and energy assets in the world. The common characteristic of the best of these assets is that they were extraordinary in one or more attributes that rendered them must-own vehicles when sentiment returned to our space. Simply put, Donlin Gold combines more of these attributes than any of the other strategic properties with which I've ever been involved – especially if one wants exposure to gold. Indeed, from a gold bull's perspective, it's just about perfect.



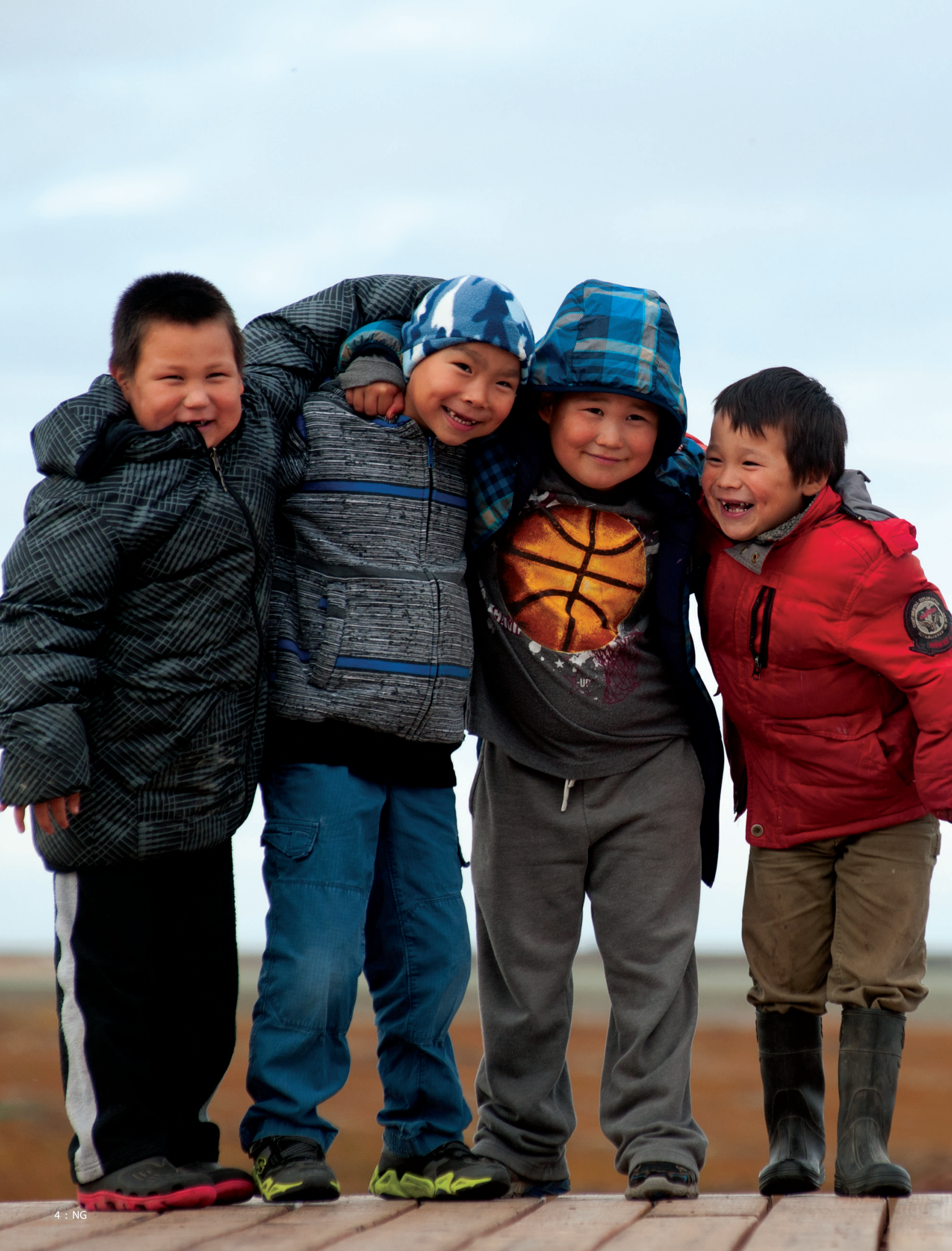
**Gregory A. Lang**  
president  
and chief executive officer

**Mr. Lang:** While Tom comes at Donlin Gold as an investor who has developed something of a franchise in world-class assets, I'm an engineer and operator who has been equally fortunate to work with some of the most experienced individuals in the gold industry and on some of its greatest assets. I ran Barrick's top assets – their North American operations – as president for eight years before joining NOVAGOLD as president and CEO. It was a great job and it wasn't an easy decision to leave. In essence, I had spent the majority of my 30-year career coming up the ranks with Barrick and the companies it had acquired, Homestake Mining and International Corona.

NOVAGOLD's operating management team is among the most solid in their credentials and pedigree as any you'll find in our space: David Deisley, who joined us from Goldcorp; David Ottewell, who joined us from Newmont; and Richard Williams, who joined us from Barrick right after bringing the mammoth Pueblo Viejo project into production. They all left their senior positions at these companies because they too see in Donlin Gold what I do: that is, from a geological, engineering, legal, and operator's standpoint, we can say with equal conviction that Donlin Gold is a truly unique and attractive gold asset in an era defined by quality asset scarcity.

***Donlin Gold is "truly unique?" How so?***

**Dr. Kaplan and Mr. Lang:** Not many assets check all the boxes like Donlin Gold does. It has size, extraordinary grade, industry-leading projected output, excellent exploration upside, a low-cost structure, a company-making mine life, strong local partnerships, extraordinary leverage to gold, and what has become the holy grail in mining: jurisdictional safety. For all these reasons, we believe Donlin Gold to be the best and safest gold development project in the world.



## Could you walk us through the points that make Donlin Gold a “category-killer”?

**Dr. Kaplan and Mr. Lang:** It all comes down to geology, potential, economics, and location.

**Geology** – With approximately 39 million ounces of gold in the measured and indicated resource categories (541 million tonnes of gold at an average grade of 2.2 grams per tonne), and an additional approximately 6 million ounces (92 million tonnes at an average grade of 2.0 grams per tonne) in inferred resources, Donlin Gold is **one of the world’s largest known undeveloped gold deposits**. These are excellent numbers, placing Donlin Gold well within the top 1 percent of known global gold deposits in terms of size. It’s also blessed with exceptionally high grade when compared to its peers. As we’ve seen in the recent downdraft in the mining (and now energy) spaces, this kind of quality counts. With Donlin Gold having a **measured and indicated resource grade of 2.2 grams per tonne**, it is one of the highest-grade known large open-pit gold deposits. Its grade is where the average grade of the industry was 10 years ago, and is believed to be more than double the average grade of the other gold projects currently in development.

**Potential** – The second updated feasibility study filed three years ago demonstrated that, as envisioned, Donlin Gold will become one of the single largest gold-producing mines in the world, averaging approximately 1.5 million ounces of gold production in the first five years of operation and, assuming no additional resources, approximately **1.1 million ounces of gold production per year over its initial 27-year life**. And that’s also assuming no more higher-grade ore is found – or any additional ore at all, for that matter. In addition to its already large mineral endowment, 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 only part of a three-kilometer area that is itself only a portion of an eight-kilometer mineralized belt, in NOVAGOLD’s view it is likely that Donlin Gold’s mine life, already measured in decades, or ultimate production profile – or both – is likely to be greater than anticipated.

**Economics** – During the first five years, Donlin Gold’s **cash costs are slated to be \$411 per ounce of gold**; over the life of mine, the average is expected to be \$635. All-in costs are expected to be \$532 and \$735 respectively. This is very favorable in today’s world. As this number is a function of our having such enormous reserves, it is yet another example of why size matters. Moreover, Donlin Gold’s leverage to higher gold prices is exceptional. Its **after-tax Net Present Value\* (NPV), using a \$1,200 per ounce gold price and a 5 percent discount rate, was estimated at \$547 million**, as per the NOVAGOLD news release announcing the results of the Donlin Gold second updated feasibility study. This number rises to \$6.2 billion if undiscounted. Importantly, the resultant NPV sensitivity analysis showed a more than eight-fold increase in value to \$4.6 billion at \$1,700 per ounce of gold (\$14.6 billion if undiscounted), and then a nearly 50 percent further increase in NPV to \$6.7 billion at \$2,000 per ounce of gold. At the zero discount rate with which we believe North American assets may once again be rated, that number rises to more than \$19 billion.

**Location** – Unstable and changing geopolitics, including but not limited to economic and political instability, have altered how the market views investment opportunities on the frontier. According to PricewaterhouseCoopers, “ongoing geopolitical issues... threaten the development and advancement of projects... around the globe” (Mine 2014: Realigning expectations). In fact, in our view, it’s not an overstatement to say that jurisdictional risk represents the single greatest threat to the mining industry. Many companies and assets in the developing world have been victims of sovereign risk with unanticipated tax increases, royalties, civil unrest, permitting delays, corruption and resource nationalism. When sentiment returns to the space, we believe that Donlin Gold’s location in the United States will give NOVAGOLD a tremendous competitive advantage, especially in a time when heightened resource nationalism and jurisdictional uncertainty is second only to investor sentiment as the most significant factor negatively affecting shareholder value among natural resource companies. **Donlin Gold is one of only a handful of large projects located in a safe jurisdiction**, where you can sleep soundly and know you won’t wake up in the morning and find out that you’ve been surprised by a coup or a nationalization of your business – and a place where you can keep the fruits of your leverage to gold. We believe it’s a great advantage to be in a

\* Donlin Gold Net Present Value 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 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. Project development costs prior to 1/1/2014 are treated as sunk costs.

In 2014, the state of Alaska designated 20 Native languages as co-official along with English. One of those languages is Yup'ik, which, thanks to the efforts of people who recognize the importance of preserving Native cultures, remains strong in many Calista villages. Who are these people protecting Native cultures? Norman Ayagalria, who not only is active in traditional music groups, but also works as a Yup'ik school teacher in Bethel. John MacIntyre & Walter Larson, Sr., who, as they catch and preserve salmon for their families, never forget to appreciate the gifts given to us by the Creator. And Julia Brown (below), an elder in Kong, who continues to participate in traditional activities – like basket weaving, or cooking family recipes like moose stew or berry dessert – despite the increased demands of modern life.



## Yup'ik Language and Culture [\(click here to learn more\)](#)





place where the rule of law isn't a novelty and that the dwindling few locales that offer this advantage will result in a safety premium for the few companies with assets in these jurisdictions. It won't be good enough to have "world-class assets"; desirability will depend on where in the world they are. But the story only gets better from there. **Donlin Gold enjoys broad support, including from our Alaska Native Corporation stakeholders**, the Calista Corporation (Calista) and The Kuskokwim Corporation (TKC), who own the mineral and surface rights to Donlin Gold. Our well-established track record of social engagement and environmental stewardship in the community is a huge plus. The government of Alaska cites Donlin Gold as a model project for responsible development, a reputation that was reinforced in 2014 by a unique strategic alliance with the National Fish and Wildlife Foundation. That's not something you see every day, and we're proud of it.

### ***How are your relations with Barrick?***

**Dr. Kaplan:** We believe it's fair to say that relations have not been better. The animosities that still lingered from the 2006 takeover attempt are behind us, and our management teams enjoy mutual respect from years of interaction and genuinely friendly relations. Clearly, Barrick has been dealing with some challenges, and we weren't immune from their backwash a few years ago. Despite this, at that time we truly wished them well, and the truth is that Barrick has been a responsible partner. Donlin Gold's permitting process, for example, continued as planned. If anything, both teams are more excited now about Donlin Gold's prospects than ever before. Having part of a great asset in a truly safe place is not something that is lost upon Barrick. With Donlin Gold in their stable, it gives them the best suite of North American assets in the industry. Even so, it should be stressed that neither of us have a build-at-any-gold-price mentality. For Barrick, that era is gone: their shareholders want to see capital discipline. We ourselves are owned by some of the best names in the financial world, and we all want to finance the project with the least dilution necessary. As such, both companies are happy to take a sober and constructive view not to subsidize the world's consumption of gold by squandering the treasures that Mother Nature has given us, and that we're happy to wait for higher gold prices that will make the project's economics sing.

### ***Are you and Barrick aligned as partners on Donlin Gold?***

**Dr. Kaplan & Mr. Lang:** Barrick and NOVAGOLD's strategy and narrative are completely aligned. Barrick's fourth quarter 2014 disclosure on Donlin Gold, published February 18, 2015, is the best affirmation of that fact:

*"The 50% owned Donlin Gold project located in Alaska is one of the largest undeveloped gold deposits in the world. In terms of size, grade, and jurisdictional safety, Donlin Gold is an excellent asset in Barrick's portfolio with significant leverage to the price of gold. The Donlin Gold project has approximately 39 million ounces of contained gold (100% basis) in the measured and indicated resource categories (approximately 8 million tonnes grading 2.52 g/t (measured) and 533 million tonnes grading 2.24 g/t (indicated)). In addition to its already large mineral endowment, the project also has exploration potential which could expand the current open pit resource.*

*Under our disciplined capital allocation framework, we have continued to work with our partner, Novagold Resources, to advance the Donlin Gold project. Current activities, by which we maintain and enhance the option value of this project at a modest cost, are focused on permitting, community outreach and workforce development. In 2014, Donlin Gold secured long-term surface use rights and significantly advanced the permitting of the Donlin Gold project which is now about halfway complete.*

*Barrick is working closely with its partner on alternatives designed to minimize initial capital outlay. The outcome of that effort may include engagement of third party operators and exploring possibilities for third party financing of some capital intensive infrastructure. Collectively, we are also investing about \$3 million (100% basis) on technical studies to identify potential design and execution enhancements. Donlin Gold has substantial leverage to gold prices and has the potential to add significant value to Barrick and its future growth pipeline in a higher gold price environment. Any decision to proceed with development, either as currently envisaged, or in an optimized scenario, will depend on the project meeting Barrick's minimum hurdle rate which will depend in large part on the prevailing gold prices and market conditions."*

## Cash and Term Deposits<sup>1</sup>

\$165<sub>M</sub>

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

## 2014 Actual

\$26<sub>M</sub>

*\$4M (14%) less than planned and \$13M lower than 2013 spending*

## 2015 Budget<sup>2</sup>

\$29<sub>M</sub>

*\$13M Donlin Gold  
\$2M Galore Creek  
\$14M G&A and interest, including  
\$1.5M for Donlin Gold joint studies*

### Notes:

1) Includes \$95M in term deposits (as of November 30, 2014).

2) We will spend \$16M on repayment of outstanding convertible notes that mature May 1, 2015.



We're well-funded with a strong cash balance – sufficient to fulfill all of our current financial obligations and fund the permitting process at Donlin Gold. And we're focused on one thing: the execution and delivery of our business plan.

**Financial Strength** [\(click here to learn more\)](#)

***Over the last two decades you have had success navigating your way through natural resources, moving from silver to platinum and energy, and then back to precious metals. How do you decide the sector in which to focus?***

**Dr. Kaplan:** I approach natural resources investing through the prism of history and cycles, and tend to look for sectors where the supply/demand fundamentals are improving markedly, yet where, as John Templeton put it, “maximum pessimism” is the prevailing sentiment. I felt that way when silver was trading at \$3.50 per ounce in the early 1990s, down from \$50 per ounce during the Bunker Hunt years. To take advantage of the disarray in the sector, I started a silver mining company. For the few of us who had the conviction to focus on silver mining, it was a very contrarian move. At that time, the consensus was that the silver market would be destroyed by digital photography and that silver was headed to \$2 per ounce. We felt that the facts argued more for a move back into double digits. Similarly, when oil in the early 2000s was trading under \$20 a barrel and the prevailing view was that prices would fall, I felt oil could rise to \$100 a barrel, and created an energy exploration company as a means to play that forecast.

***When you sold your natural gas company Leor Energy in 2007, it was one of the fastest-growing privately held companies in the space. Why did you sell it to focus on precious metals?***

**Dr. Kaplan:** There were currents in the global financial system that did not feel quite right to me in early 2007. Having made many times our money in both platinum and energy, I felt the time was right to book our profits and shift from economically sensitive commodities such as these to the world’s most reliable currency: gold. I felt that if the world continued to do well, gold would be fine. But if, as I believed, the good times were simply too good, gold would be among the few assets that would perform during a severe downturn.

***So your motivation was fear?***

**Dr. Kaplan:** Actually not. I don’t believe in buying gold because of the fear factors. I prefer Economics 101. Gold is the only currency with a multi-millennial provenance that can’t be debased. So when debasement is the order of the day, be it through uncontrolled spending or now deficit spending plus money printing, one should own some. There’s so little of it to go around, however. Now the official sector, central banks, have gone from net sellers to net buyers and the Indians and Chinese are competing to be the largest consumers. That should be enough on its own merit to want to own a bit of gold. But when we also see what’s happening in the gold mining industry itself, one can see a systemic supply/demand disequilibrium looming. By and large, the miners are producing gold faster than they can replenish their reserves. Some are high-grading. And there haven’t been big new discoveries in several years. It’s really an attractive picture, without resorting to gold being a hedge against political instability, rampant inflation, depression, or any other plague. Buying gold is eminently rational. The fact that it’s hated, despite its excellent track record since the last tech bubble, is quite a classic phenomenon.

***How did your pivot from energy to gold work out?***

**Dr. Kaplan:** Pretty well. When we sold Leor Energy, the price of oil was over \$100 per barrel and natural gas was trading around \$7-8 per million BTU. Gold was trading around \$650 per ounce. As I write, gold is trading at close to double that price. And oil and gas has collapsed. I should add that the Dow Jones Industrials Average (DJIA) has only risen by 30-40 percent since then.

***So gold has proven that it isn’t a commodity?***

**Dr. Kaplan:** Yes. It really is a currency. Again, that’s an incredibly important distinction. It explains why gold performed so well during the financial crisis and beyond. I expect that phenomenon to continue over the long term.



### ***Were you bullish on gold prior to 2007?***

**Dr. Kaplan:** Yes. I started Electrum Ltd. in 2001, when gold was around \$300 per ounce. The Bank of England's selling of gold was a classic capitulation. At that point, I went from being bullish only on silver to being bullish on both monetary metals.

### ***What is your view on gold now?***

**Dr. Kaplan:** My positive view on gold hasn't wavered. In fact, it has only grown stronger over time. As John Hathaway has put the point so succinctly, "The bubble today is in paper, not gold." Simply look at how gold performed during its first leg up. It did not just rise. It busted a few myths as well, if one wishes to acknowledge them. For 12 years gold ended each year higher, even during periods of inflation fears and deflation fears, a strong dollar and a weak dollar, strong commodities and weak commodities, war and peace, prosperity and crisis. That resiliency is impressive.

### ***Where are we in the gold cycle?***

**Dr. Kaplan:** My view is that what we've seen over the last few years is a correction within a bull market. Perhaps it was time for a rest. Despite the retrenchment, gold is far and away the best performing asset class that I have followed over the last decade. Many of the same people who deride gold for retracing its steps back to \$1,300 per ounce hated it from \$300 to \$1,900 per ounce. I'm reminded of Jim Grant's wonderful expression: "A 'bubble' is a bull market in which the user of the word 'bubble' has not fully participated." Most people hate to love gold, and love to hate it. It's classic capitulationism. So while gold could have another sentiment-driven spike down before its next move to new highs and beyond, for an investor I don't believe it matters a great deal. During the 1980s if one bought the DJIA at 1,100, 1,200 or 1,300, it really didn't have a material impact on long-term returns. It was a great buy.

### ***You're comparing gold to the DJIA?***

**Dr. Kaplan:** Yes. As a secular trend, I see a great many similarities between the DJIA in the 1980s and where we are now in gold.

### ***Do you have a short-term view on gold?***

**Dr. Kaplan:** I don't think about it. If I get the short term right, it will be a function of luck. I'm confident about the long term and have expressed my position most notably in NOVAGOLD as I don't need to have a short-term view – at least not now, and not at these share prices! NOVAGOLD gives me all the leverage I could wish for to multiply our returns when higher gold prices return and is located in a place where I get to keep the fruits of that leverage. Yet it is simultaneously in the great position of having no need to raise capital until it and Barrick make a construction decision on Donlin Gold. This is something that we would only do when gold prices have resumed their uptrend as our equity is more precious than even the metal itself. So the downside and upside are both secure, and time is clearly on our side to have an extraordinary return.

### ***Would you wish to build Donlin Gold if gold returned to, or surpassed, the levels we saw just a little while ago?***

**Dr. Kaplan and Mr. Lang:** Basically, we and our partners will evaluate the project's economics when the permitting is through and we are in a position to make a construction decision. As that is a couple of years away, we have time to think about strategy. In principle, when gold has embarked on the next leg of its bull market, Donlin Gold should look incredibly attractive to both partners.

Here's the bottom line as we see it: When gold moves up, Donlin Gold will be built. If gold goes down for a while, nobody will be building new projects – nor should they be. Basically, we're pragmatic, shareholder-oriented gold bulls!

For residents of the Yukon-Kuskokwim region, fishing, hunting, and harvesting aren't just hobbies. They're integral to the Yup'ik way of life – a means by which families maintain ties both to the land and to their culture all year long. Megan Leary (below), who was crowned Miss World Eskimo-Indian Olympics in 2013, is proud of her ability to support herself through trapping, hunting, and fishing. Aniak's Bruce Morgan II (right) knows that a single moose can provide for his whole family for an entire year. And Ricky Ciletti, who spent some time living in the city in the lower 48, recognized that returning to his home was a way to slow down; to reconnect with his roots through bow-hunting. Most who reside in the Yukon-Kuskokwim region are actively involved in preserving and maintaining this subsistence way of life.



## A Subsistence Way of Life [\(click here to learn more\)](#)



## ***So you remain bullish on the gold space?***

**Dr. Kaplan:** The strongly held bullishness on gold that I have had since I created Electrum more than a decade ago, and my thesis on Donlin Gold as the ideal way to play the next phase of the bull market, have not changed. If anything, these convictions have been further reinforced by my witnessing anew just how limited are the 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.

Experienced observers will note that sentiment is like the seasons, and many who are presently espousing a hunker-down mentality in the gold industry will be clamoring, when the next leg in the bull market unfolds, to seek out projects with leverage and growth. In an era defined by asset scarcity, NOVAGOLD provides one of the few institutional-quality ways to gain exposure to both.

## ***Over the last several years, you have sounded the alarm over resource nationalism. Is your argument for focusing on North America opportunistic or borne out of experience?***

**Dr. Kaplan:** I have articulated the case for jurisdictional safety in mining despite having as intrepid a frame of reference as any American entrepreneur in the space – and one for whom the developing world was a bonanza. Until a few years ago, not counting Latin America, my family's string of properties ran from Mauritania and more than half a dozen African countries through to Pakistan, where we were the largest holder of mineral rights. So I'm not speaking as a neophyte or Pollyanna when I say that I'm pretty convinced I know whereof I speak when it comes to "funky" jurisdictions.

So while at first blush my being the town crier about resource nationalism and the like may appear self-interested because of our stake in NOVAGOLD, it's actually not the case. It's a function of some unique experiences as a professional investor, most of which were actually quite rewarding. My family invested successfully in "sturdy locales" such as the Democratic Republic of the Congo, Bolivia, Zimbabwe, and – briefly – Venezuela, and did really well. The emerging markets were good to us.

## ***What's changed then?***

**Dr. Kaplan:** The world has changed. Like all great cycles, we're seeing the pendulum swing back to safety. The frontier mentality that led miners to look for new and more exotic places for opportunity is fading away. In the end, mining is about location. You can have the greatest mine in the world, but if you're in a part of the world where the rule of law is a novelty, the odds that you will be met with social or political problems are enormous. Perhaps there are exceptions. But I reckon that, in a positive global environment, resource nationalism will continue to chip away at the miners. Miners, after all, aren't simply manufacturers that can just pick up and leave for a lower-wage jurisdiction or more favorable political regime. Location is truth. And the truth isn't always beautiful. If the world does ever go into a recession again, I suspect most countries will nationalize their resources.

That's the trend we're seeing all over the developing world. So my clarion call is not so much a function of talking my own book as much as understanding that the story is over and that the last chapter will not be a happy ending. So why wait for the inevitable? As Woody Allen once said, "I'm not afraid of death; I just don't want to be there when it happens."

## ***What's the future of gold as a form of currency?***

**Dr. Kaplan:** The collapse in oil is a reminder to investors that, unlike oil, gold isn't simply a commodity. It is, first and foremost, a kind of money. From the Americas to the deepest recesses of Europe, Africa, and Asia, humanity has regarded gold as a form of currency since the beginning of recorded history. That's not going to change. In fact, a fund manager in Singapore, who is Indian, was asked how people think about gold in India. His response was telling: "Water, food, land, and gold." Gold is a better global brand than Coca-Cola. If anything, the understanding and appreciation for gold is only going to improve since it's the only currency that cannot be printed at a time when major reserve currencies are being cheerfully debased – among them the U.S. dollar, the euro, the pound sterling, the yen, and even the Swiss franc. After a 40-year secular trend

## M&I Resources<sup>1</sup>

Copper

9 Blbs Grade: 0.5%

Gold

8 Moz Grade: 0.3 g/t

Silver

136 Moz Grade: 5.2 g/t

### Notes:

1) Represents 100% of measured and indicated resources of which NOVAGOLD's share is 50%. Measured and indicated resources inclusive of proven and probable reserves.

See "Cautionary Note Concerning Reserve & Resource Estimates" and "Reserve & Resource Base" with footnotes in the appendix.



Located in British Columbia approximately 93 miles northwest of Stewart, Galore Creek is expected to be one of the largest and lowest-cost copper mines in Canada – and is also among the top 5% of gold deposits in the world.

**Galore Creek** [\(click here to learn more\)](#)





of attempted de-monetization, gold is re-asserting itself as the only financial asset that doesn't represent someone else's liability.

### ***How will such a renewed interest in gold impact NOVAGOLD directly?***

**Dr. Kaplan:** When the sentiment changes, the equities that will enjoy the highest multiples will be those with high-quality assets in safe jurisdictions, and where the mantra for their purchase will be, "It gives exceptional leverage – in a safe place where you can keep the fruits of that leverage." Viewed through that lens alone, Donlin Gold is not just institutional-quality; it is the single most obvious go-to gold project in the world. I would also now add, "at a price Ben Graham would appreciate!"

### ***How do you feel the company has performed this past year?***

**Mr. Lang:** 2014 was an excellent year for NOVAGOLD, which achieved virtually all of its goals. Of greatest importance, Donlin Gold has advanced on all fronts. As planned, we passed the halfway mark in the permitting process while we continued to further enhance overall community outreach efforts and partnership and sponsorship initiatives. Here are some examples:

- > Significantly advanced permitting of Donlin Gold:
  - Development of alternatives for the Environmental Impact Statement (EIS) were completed by the Corps, the project's lead permitting agency
  - The Corps also finalized the initial chapters of the Donlin Gold draft EIS
  - Donlin Gold made the submissions of information that were requested by the Corps for the draft EIS
- > Extended Donlin Gold Surface Use Agreement with TKC which now coincides with Calista's exploration and mining lease and covers the entire projected mine life
- > Formed an important alliance with the National Fish and Wildlife Foundation (NFWF) and its Alaska Fish and Wildlife Fund to protect, conserve, and restore Alaska's fish and wildlife
- > Built upon extensive local outreach efforts in Alaska:
  - Held informational meetings in numerous villages in the Yukon-Kuskokwim region where the Donlin Gold project is located
  - Funded youth educational programs, resources, and camps
  - Sponsored, participated, and volunteered in numerous state-wide and local events

Additionally, at Galore Creek, we worked with our partner Teck Resources Limited to advance technical work related to evaluating project value-enhancing opportunities at Galore Creek.

In a very difficult market for gold stocks, our shares outperformed most of our peers, reflecting the market's increasing recognition that Donlin Gold is on track in its journey to becoming a major gold producer.

We also managed to accomplish these milestones while tightening our belts and safeguarding our balance sheet by further reducing expenditures, spending 14% less than we budgeted for 2014. We have more than sufficient cash on hand to complete permitting at Donlin Gold and, should markets continue to remain soft, meet our other obligations for many years ahead. There are very few companies that can make that claim.

### ***Why is NOVAGOLD regarded as a new breed of gold mining company?***

**Mr. Lang:** NOVAGOLD is a simple, streamlined company that owns exceptional assets, is managed by the right people, is affiliated with the right stakeholders, has the right partnerships in place, and is focused on the right objectives. We're investing an extensive amount of time in providing strategic and day-to-day support to our project subsidiaries and taking part in fostering partnerships and relationships with stakeholders at the local, state, provincial, and federal levels. We maintain a long-term view that creates mutually-beneficial relationships with communities, investors, and partners. Notably, our goals are to preserve local values, protect natural resources, and safely deliver sustainable growth.



**DONLIN**  
**GOLD**



**PRINCIPAL  
PARTNER  
SPONSOR  
OF THE  
IDITAROD**

[www.DonlinGold.com](http://www.DonlinGold.com)



### ***How have the soft markets impacted Donlin Gold's pro forma economics?***

**Mr. Lang:** The two raps on the company that we used to hear were the long lead time to production and the high capital cost. We don't hear the first criticism these days. It should be emphasized that, while other major gold projects around the world have seen delays and de facto cancellation, by proceeding at exactly the same pace with permitting as was previously envisioned, Donlin Gold is now rapidly moving up the ranks in terms of major gold projects and their timelines. Tom and I jokingly refer to Donlin Gold as Aesop's tortoise. The hares are falling asleep while we're halfway to the finish line.

The capital cost issue used to be cited as the key challenge. I don't believe it is – or, I should say, will be, when the construction decision is ready to be made. Right now, with commodities and services soft, it's clear that we completed the study at the peak of the commodity cycle and that multiple input costs have fallen. Even if that weren't the case, it should be noted that the total capital cost estimate for Donlin Gold, which came in at \$6.7B and included \$1B in contingencies, was meant to be conservative and sufficiently robust to withstand the deserved scrutiny that many projects have faced since the industry experienced a series of capital expenditure blowouts. Our aim is for Donlin Gold not only to meet expectations, but to exceed them. To that end, many opportunities have been identified for potential reduction of the capital cost amount, including turning over construction and operation of significant infrastructure and ancillary projects – such as the gas pipeline, oxygen plant, and port operations – to other third-party owner/operators. Such exercises are routine for projects blessed with long mine lives. The capital cost bill for Donlin Gold remains well within the industry norms internationally, and does not take into account either resource expansion, which we consider likely, the potential capital cost reductions cited above, or North America's jurisdictional safety and productivity.

### ***How do the mechanics work in your relationships with Barrick and Teck Resources Limited? What roles do the respective companies play for each asset?***

**Mr. Lang:** NOVAGOLD has positive and constructive relationships with both Barrick and Teck at the Donlin Gold and Galore Creek properties, respectively. Each project is operated by a subsidiary that is owned equally by NOVAGOLD and its partner: Donlin Gold LLC for Donlin Gold and Galore Creek Mining Corporation for Galore Creek.

Donlin Gold LLC's board consists of four directors, with equal representation from each owner. I have been a member of the Donlin Gold board for the past four years. The chair of the board alternates every year between NOVAGOLD and Barrick. The operating agreements have mechanisms in place to resolve differences and protect each partner in the event that one or the other chooses not to proceed and cease funding activities.

All owners share a joint commitment to the core principles of preserving local values, protecting natural resources, and safely delivering sustainable growth. With our partners, we continue to evaluate alternatives to advance the Donlin Gold and Galore Creek projects as well as improve their economics.

### ***What's Galore Creek worth and why sell your interest?***

**Mr. Lang:** Galore Creek is a great asset, which is why each owner has invested greater than \$250 million in the project. It's an asset a company can be built around, and is expected to be one of the largest, highest-quality, lowest-cost copper producers in Canada – one of the few safe jurisdictions remaining for copper miners. The results from the 2013 drilling campaign, combined with the 2014 work program, focused on next-level mine planning and design, and should enhance the value of Galore Creek and its marketability.

Although we continue to evaluate opportunities to monetize our interest in the Galore Creek project to support the 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.

Locals in the Yukon-Kuskokwim region rely on the annual salmon runs, with most families putting away hundreds of pounds of fish every summer. It's been a way of life for these people for generations. But the Kuskokwim River is more than just a food source. Lamont Albertson sees it as a means of communication with the rest of the world – a way to transport cargo like food, diesel, and household goods. Brother and sister Denny Thomas and Janine Stamen, whose mother, Evelyn Thomas, is the president of the Crooked Creek Traditional Council, recognize that a healthy river means a healthy community – and vice versa. Denny believes the Donlin Gold project will help their community thrive; Janine, who runs Crooked Creek's supply shop, airstrip, and post office, believes the mine will provide a number of opportunities in a region that hasn't seen many.



## The People's Connection to the River [\(click here to learn more\)](#)



## ***What does NOVAGOLD's alliance with the NFWF entail and how does this benefit both parties?***

**Mr. Lang:** This is an unprecedented and unique alliance, not previously seen between NFWF and a mining company, further reinforcing our commitment to Alaska and the project region.

NFWF went to Alaska on numerous occasions and also visited the Donlin Gold property to complete its own due diligence on the project and the team's approach to the sustainable – as well as socially responsible – development and future operation of this project.

Subsequently, NFWF and NOVAGOLD are investing in the Alaska Fish and Wildlife Fund conservation initiative with the goal of restoring habitats and building capacity for natural resource conservation in Alaska. Some of the proposed projects and locally led efforts will be in the Yukon-Kuskokwim region, where the Donlin Gold project is located. The program will integrate NFWF's expertise with Donlin Gold's wealth of baseline data, regional experience, and ecological knowledge to enhance the conservation of fish and wildlife in Alaska for many years to come.



**David Deisley**  
*executive vice president  
and general counsel*

## ***What input do the local communities have in the permitting process?***

**Mr. Deisley:** 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 nearly 20 years of activities at Donlin Gold, we have consistently sought to build strong community partnerships, reach equitable participation agreements with Calista (the owner of mineral rights) and TKC (the owner of surface rights), and establish good communication with local communities as well as state and federal regulators. At the same time, we 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 the advancement of Donlin Gold. We have also engaged with members of the Tahltan Nation, on whose traditional territory we plan to develop Galore Creek.

We're very proud of the relationships that we have with our community partners. We have taken the time to listen to their concerns and carefully designed our projects to mitigate those concerns. We welcome the scrutiny that the permitting process entails, given the importance of a project of this size to the state and to the region.

## ***What has been updated in the new Surface Use Agreement with TKC?***

**Mr. Deisley:** Donlin Gold LLC and TKC reached an updated, long-term agreement extending Donlin Gold's rights to use the surface lands owned by TKC. This important agreement, which covers Donlin Gold's projected mine life, is now in alignment with the duration of the existing exploration and mining lease with Calista, owner of the mineral rights to the lands encompassing the project. The mutually beneficial agreement with TKC represents an important milestone in the advancement of Donlin Gold toward development and production.

Notably, the agreement provides direct compensation to TKC through payments for project milestones, annual surface use, and mine operation; includes a coordinated and consultative approach between Donlin Gold and TKC regarding annual project planning and reclamation as well as preparation of a subsistence harvest plan for affected surface lands; and gives certain preference to TKC for contracts, hiring, and training TKC shareholders – as well as funding scholarships and working with federal, state, and local entities to help create and fund a training facility in the region.

We truly appreciate our partnership with the Alaska Native Corporations and look forward to a prosperous future for all stakeholders.



With political uncertainties around the globe rising dramatically, only a handful of jurisdictionally acceptable gold plays are left for investors. The fact that Donlin Gold is located in Alaska gives NOVAGOLD a tremendous competitive advantage.

## Jurisdictional Safety [\(click here to learn more\)](#)



## ***Do you have problems with groups opposing the project? Native Corporations?***

**Mr. Deisley:** One of the things that really sets NOVAGOLD apart from other gold companies is how committed we are to building and maintaining strong relationships with the local communities.

The Donlin Gold project is situated on private subsurface and surface lands owned by Calista and TKC, respectively. Calista, one of 13 regional Alaska native corporations established as part of the Alaska Native Claims Settlement Act of 1971, selected the area around Donlin Gold specifically because of its mineral potential. TKC was formed in 1977 and encompasses 10 neighboring village corporations along the Yukon-Kuskokwim River.

Part of the reason Donlin Gold's relationship with local communities is so strong is that these local communities already have enjoyed tangible benefits as a result of activities at the project. For instance, since exploration began in 1996, local residents have been employed in a variety of roles, forming up to 90 percent of the workforce at the Donlin Gold camp. The proposed project would employ up to 3,000 workers during construction, and up to 1,000 during operations. Through Donlin Gold's support of scholarships for Calista and TKC youth, sponsorship of academic and trades fairs, and leadership in development of the Alaska Miners Association's Mining Workforce Development Plan, we are building a foundation that will provide Calista and TKC shareholders as well as their descendants with the opportunity to thrive as Donlin Gold prospers.

There is always interest in a large proposed mining project in Alaska. However, to date, no organized opposition to the project has emerged. We believe that, in large part, this is because of our strong relationships with the state and federal regulatory agencies, Native Corporations, and other stakeholders throughout the Yukon-Kuskokwim region and Alaska.

The participation agreement that the Galore Creek Partnership and the Tahltan First Nation collaboratively wrote and ratified raised the bar in our industry, and the relationship has withstood the test of time throughout the life of the project.

## ***Why such a lengthy process to permit Donlin Gold?***

**Mr. Deisley:** Mines in the U.S. are subject to a comprehensive permitting process – and we think that's a good thing.

The environmental impact statement (EIS) is being prepared under the requirements of the National Environmental Policy Act (NEPA), a law that governs the process under which major projects in the U.S. – such as Donlin Gold – are built. For a project of the size and scale of Donlin Gold, it is not uncommon for an EIS to require four years to be prepared, especially given the depth of the analysis and ample opportunities for the public to provide their input. The EIS process helps facilitate integration and consistency among the permitting agencies, which will be responsible for issuing as many as 100 separate permits and approvals expected for a mine the size and significance of Donlin Gold.



**David Ottewell**  
vice president  
and chief financial officer

## ***What is the company's cash burn rate and level of outstanding debt?***

**Mr. Ottewell:** Due to careful management of our financial resources, at the end of the fourth quarter we had over \$165 million in cash and term deposits. Our 2015 budget, at approximately \$29 million (Donlin Gold, \$13 million; Galore Creek, \$2 million; G&A, \$14 million including joint Donlin Gold studies with Barrick [\$1.5 million 50%-share]), is modest given ongoing activities at both Donlin Gold and Galore Creek. We have sufficient capital on hand to meet our ongoing obligations, including the repayment of the last \$16 million in convertible notes due in May 2015.

## ***Do you have enough money to carry out what you plan to do with your projects?***

**Mr. Ottewell:** We have the funds to pay for our share of costs relating to the permitting of Donlin Gold and advance technical work at Galore Creek. In an environment where many mining companies are distressed financially, we are extremely fortunate to have a strong balance sheet, which allows us to continue executing our business plan despite current market conditions.





## ***How does NOVAGOLD expect to finance its share of the capital cost to bring Donlin Gold into production?***

**Mr. Ottewell:** Projects with solid economic fundamentals, such as Donlin Gold, have diverse and multiple financing options including equity, debt, mobile equipment leasing, and third-party owner/operator financings. In the meantime, we are exploring ways with our partner to reduce the upfront costs of building the project.

## ***What is the economic feasibility of the project? What is the impact of a falling gold price and at what price is it no longer economical to build the project?***

**Mr. Ottewell:** Donlin Gold's after-tax Net Present Value\* (NPV), using a five-percent discount rate, is \$547 million at \$1,200 per ounce of gold. However, the project provides significant leverage to gold with the NPV increasing dramatically to \$3.1 billion at \$1,500 gold. Once permits are obtained and dependent on market conditions, we will be in a position to update the feasibility study and evaluate a construction decision. Based on the Donlin Gold 2011 second updated feasibility study, at below \$1,200 per ounce the project and the majority of the other assets in the gold industry become uneconomic.



**Ron Rimelman**  
vice president,  
environment, health, safety,  
and sustainability

## ***Where are you now in the permitting process?***

**Mr. Rimelman:** We are past the halfway point in Donlin Gold's EIS process, and we remain on schedule in our overall permitting timeline. Our focus is centered on the draft EIS, which comprises the following four sections:

- > First, an outline of the purpose of and need for the proposed project. Donlin Gold, Calista, and TKC materially contributed to this section detailing the need and the right to develop the land for the benefit of their stakeholders.
- > Second, the identification and analysis of a reasonable range of alternatives to the proposed mine. These alternatives include variations on certain mine site facility designs, local transportation options, and power supply options.
- > Third, the preparation of an environmental analysis of the proposed action and reasonable alternatives. This section identifies and characterizes the potential biological, social, and cultural impacts relative to the existing baseline conditions, and normally constitutes the most extensive part of the EIS.
- > Fourth, the potential mitigation measures intended to reduce or eliminate the environmental impacts described in the impact analysis section.

Initial drafts of the EIS sections have been reviewed by the agencies, and their constructive input is being considered and incorporated by the Army Corps of Engineers into the draft EIS. In addition, Donlin Gold continues to work simultaneously with the appropriate permitting agencies on other major permit applications, such as air quality, water discharge and usage, gas pipeline, rights of way, wetlands, and dam safety.

## ***What will the completion of permitting Donlin Gold mean to NOVAGOLD?***

**Mr. Rimelman:** The completion of permitting will be a major milestone for the company, significantly de-risking the Donlin Gold project. As we get closer to obtaining the permits, we expect to update the operating and capital costs, input parameters, and underlying assumptions in the Donlin Gold second updated feasibility study, which was published three years ago. With this data and that of the market conditions at that time, NOVAGOLD and Barrick will be in a position to decide on the course of action with respect to a construction decision.

\* Donlin Gold Net Present Value 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 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. Project development costs prior to 1/1/2014 are treated as sunk costs.

June MacAtee, vice president of the Calista Corporation, and Willie Kasayulie, who sits on the corporation's board of directors, are just two of the people who are working hard to ensure that those who live in the isolated villages and communities along the Yukon-Kuskokwim River have access to opportunities they've never had before. Back in 1997, Kasayulie and others began a process that would ensure rural schools were treated fairly when it came to allocating state construction dollars. As a result, several regional schools will see an influx of millions of dollars over the next few years. Donlin Gold is doing its part as well by funding an internship program through the Kuskokwim Native Association, and working with organizations to increase educational and training opportunities throughout the region.



[\(click here to learn more\)](#)

## Economic Opportunities and Workforce Development



## ***How does Donlin Gold compare to other assets with which you have been associated in terms of permitting and environmental intricacies?***

**Mr. Rimelman:** Donlin Gold is a large and complex project that combines a major mine and processing facility with significant infrastructure. As described above, we expected and realistically planned for the EIS to take approximately four years to complete.

We have exceptionally strong working relationships with each of the state and federal agencies involved in the EIS and permitting. The agency team is highly experienced – many of them, in fact, have worked together historically in permitting activities at other projects in Alaska, such as the Red Dog, Fort Knox, Kensington, and Greens Creek mines.

So far, we have not encountered any technical or regulatory issues that lessen our confidence in successfully completing permitting on schedule.



**Richard Williams**  
vice president,  
engineering and development

## ***Are there opportunities to lessen the large capital cost for Donlin Gold as presented in the 2011 second updated feasibility study?***

**Mr. Williams:** Donlin Gold's owners are looking to optimize the project by evaluating a range of opportunities to reduce the upfront capital, including capital cost-sharing opportunities – such as third-party owner/operators for the gas pipeline, the power plant and port facilities (~\$1B), as well as equipment leasing. Collectively, we are also investing about \$3M (100% basis) on technical studies to identify potential design and execution enhancements.

These days, many big, capital-intensive projects are under scrutiny – some for perfectly legitimate reasons. We believe, however, that capital costs should never be considered in isolation. As we've mentioned before, there is a systemic supply/demand disequilibrium in gold, and today's operating mines cannot fill the gap.

## ***How does your Donlin Gold experience compare with your experience at the Pueblo Viejo mine in the Dominican Republic?***

**Mr. Williams:** Pueblo Viejo is an excellent reference point for the development of Donlin Gold. It took seven years to permit and build the project, which went into production in 2012 on schedule and within capital guidance. We gained a comprehensive understanding of how to construct a very large operation with limited to no infrastructure in extreme weather conditions and a minimally skilled workforce. In some respects, Donlin Gold should have fewer challenges compared to Pueblo Viejo: first, Alaska has a well-established mining tradition; second, the mineral processing at Donlin Gold is expected to be less complex than at Pueblo Viejo. The pressure oxidation operation at Donlin Gold is on a concentrate where Pueblo Viejo was a whole-ore pressure oxidation operation. This has reduced the size of the autoclaves and the downstream processes.

## ***How up-to-date is the 2011 Donlin Gold second updated feasibility study? What do you think has changed in three years?***

**Mr. Williams:** The Donlin Gold second updated feasibility study was completed at a time of higher costs in the industry. NOVAGOLD and Barrick are expected to update the study as permitting nears completion. Many factors in the industry have changed over the last few years, like innovation in construction practices and execution enhancements, commodity prices (copper, steel, and energy), and challenging project financing/debt markets for the mining industry.



NOVAGOLD encourages all employees and contractors to make sustainability a personal responsibility – as important to the success of a project as safety and fiscal accountability. We share this world we all live in, so we're here to protect it every step of the way.

## Sustainable Practices [\(click here to learn more\)](#)



### ***How do you protect yourselves from cost overruns or delays in project execution?***

**Mr. Williams:** There are a number of ways to protect ourselves, including doing enough detailed work up front to define the scope of the project and eliminate gaps prior to a construction decision. Implementing lessons learned into the planning and design, developing a realistic and well-thought-out project execution plan, following the execution plan, and managing the scope are essential in reducing risks in project execution. Furthermore, it is important to develop and assemble the right project team, as well as have systems in place prior to commencing the work, and conducting a proper risk analysis – incorporating it into the planning process, monitoring it regularly and always being proactive.

### ***How do you characterize exploration potential at Donlin Gold and Galore Creek?***

**Mr. Williams:** The Donlin Gold deposit is open both along strike as well as at depth, and tremendous exploration upside exists – particularly along the eight-kilometer gold-bearing mineralized trend which we see north of the pit. We see Donlin Gold being in a district with exciting growth opportunity similar to the experience of the Carlin trend in Nevada. And that's the beginning of the story, not the end. The current reserves and resources are contained within just three kilometers of the eight-kilometer district.

Galore Creek's drilling program in 2012 exceeded our expectations and confirmed that the mine life should go beyond the current 18-year horizon. As a follow-up to 2012's in-fill drill campaign, the 2013 program demonstrated an extension of the copper-gold mineralization into – as well as adjacent to – the Legacy zone.

### ***What are the latest developments at Galore Creek?***

**Mr. Williams:** In 2014, we incorporated the drill results from the 2012 and 2013 programs into a model and have advanced our understanding and confidence in the resource as we optimize mine planning and project design. Technical work evaluating different scenarios for an optimized mining, waste rock disposal, and water management plan at Galore Creek is continuing in 2015 with our partner, Teck Resources. Ongoing technical studies may further improve the value and marketability of the Galore Creek project.

### ***As a mine builder, what do you see as Donlin Gold's greatest attributes as a mine site?***

**Mr. Williams:** It's a long-life deposit. This is particularly significant for a remote site in which infrastructure is a large portion of the upfront costs. Knowing that once you're in the game you're going to be there for a while allows you to offset the cost of infrastructure over time. It also provides sufficient time over the decades of operation to establish sustainable development in the region.

Then there's the grade. Coupled with a long asset life, the high grade at Donlin Gold provides the opportunity to take advantage of the cyclical nature of the mining and commodity industries. The grade provides some downside protection during the commodity trough, and also provides the upside when you're riding on the crest. We all know that both conditions will be experienced during the life of the asset. Similar to other high-grade, long-life deposits in the past, Donlin Gold has these attributes to weather the inevitable ups and downs.

Finally, we cannot forget Donlin Gold's exploration potential. It's not often that you have the opportunity to develop a world-class deposit of this size knowing that there is still great potential for finding more. Think of Escondida in Chile and the Carlin trend in Nevada. Once you're there, you will likely be there for a long time. This is great for building a mine and a company, in part because the infrastructure requirements – and therefore cost – are similar regardless of whether we're building a large-scale mine (like Donlin) or a much smaller project.





**Mélanie Hennessey**  
vice president,  
corporate communications

### ***Is building shareholder value strictly limited to the price of the metal?***

**Mrs. Hennessey:** NOVAGOLD's healthy treasury, combined with Donlin Gold's quality, scale, and jurisdictional appeal, all play an important part in generating shareholder value, especially in more turbulent markets. Additionally, in a higher gold price environment, we typically outperform the majority of our peers because of the tremendous leverage to gold which Donlin Gold offers with its size and scale.

By underscoring that our assets are located in some of the very safest geopolitical jurisdictions in the world, industry trends are expected to result in a heightened investor focus on the safety premium that will be attached to the value of the company's key projects as they advance up the value chain.

Over the last three years NOVAGOLD has had the opportunity to assemble an experienced team of mine builders and operators, focused on advancing our flagship asset through permitting, and safeguarding our balance sheet. These achievements, we believe, will be rewarded through superior share price performance.

### ***Why is Alaska regarded as a preferred jurisdiction?***

**Mrs. Hennessey:** Jurisdictional safety is a key ingredient in the valuation of precious metals mines. It's a critical factor in decision-making among institutional investors. We have seen too much value destruction on the frontier, and the U.S. is a better environment in which to do business relative to almost anywhere else. Being located in Alaska is significant for investors. Alaska has a vibrant mining industry, it's the second-largest gold-producing state in the U.S., and gold production has increased in recent years. It's also a state that values its resource sector. We believe that Donlin Gold's location will continue to enhance the project's reputation as a rare, investment-grade opportunity.

### ***What other initiatives has the company undertaken in 2014?***

**Mrs. Hennessey:** NOVAGOLD, with the help of Donlin Gold LLC and Galore Creek Mining Company, remains actively engaged in forming partnerships, sponsoring activities at the community level, supporting local youth in leadership endeavors, and visiting communities in the region where the projects are located.

In 2014, the Donlin Gold team visited a total of 40 villages, fish camps, fairs, and associations in the Yukon-Kuskokwim region. The village visits included presenting project updates to the communities in both English and Yup'ik, as well as school visits to speak to students about education, training, future employment opportunities, and overall workforce development needs.

Donlin Gold's annual visits to fish camps in the Yukon-Kuskokwim region are part of a partnership with the state of Alaska and the Yukon-Kuskokwim Health Corporation in the Kids Don't Float Campaign, where the Donlin Gold team helps raise safety awareness at the beginning of fishing season and distributes personal flotation devices.

NOVAGOLD collaborated with Donlin Gold in developing a four-part video series on a way of life in Alaska. The films tell a story about the people of the Yukon-Kuskokwim region, some of which are featured in this report, their heritage and subsistence way-of-life, and the challenges they face living in a remote community. The videos, released throughout 2015, will be available at [www.novagold.com/info](http://www.novagold.com/info).

We believe that a company must earn its social license by establishing a strong and collaborative working relationship with the community where it operates. This social license must be based on a thorough understanding of the language and culture of the people in the region. We strive to create a balanced plan that enhances economic development and preserves the subsistence lifestyle. Both can truly co-exist.

NOVAGOLD's projects are located in remote areas inhabited by communities largely dependent on subsistence living and traditional lifestyles. The company wholeheartedly respects their heritage and feels it is important to share the different aspects of their day-to-day life, specifically as it relates to the people of the Yukon-Kuskokwim region, where the Donlin Gold project is located.

Although current activities are limited at Galore Creek, we remained active in the community, sponsoring local fundraising events, supporting Tahltan literacy camps, and providing assistance and funding for research on the Tahltan language dictionary.

# Reserves and Resources [\(click here to learn more\)](#)

Donlin Gold (100% basis)*			
	tonnage	grade	metal content
GOLD	Kt	g/t Au	Koz Au
<b>Reserves<sup>1</sup></b>			
Proven	7,683	2.32	573
Probable	497,128	2.08	33,276
P&P	504,811	2.09	33,849
<b>Resources<sup>3</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

Galore Creek (100% basis)*			
	tonnage	grade	metal content
COPPER	Mt	% Cu	Bib Cu
<b>Reserves<sup>2</sup></b>			
Proven	69.0	0.606	0.9
Probable	459.1	0.582	5.9
P&P	528.0	0.585	6.8
<b>Resources<sup>4</sup>, exclusive of Reserves</b>			
Measured	39.5	0.25	0.22
Indicated	247.2	0.34	1.85
M&I	286.7	0.33	2.07
Inferred	346.6	0.42	3.23

GOLD			
	Mt	g/t Au	Moz Au
<b>Reserves<sup>2</sup></b>			
Proven	69.0	0.520	1.15
Probable	459.1	0.291	4.30
P&P	528.0	0.321	5.45
<b>Resources<sup>4</sup>, exclusive of Reserves</b>			
Measured	39.5	0.39	0.50
Indicated	247.2	0.26	2.04
M&I	286.7	0.27	2.53
Inferred	346.6	0.24	2.70

SILVER			
	Mt	g/t Ag	Moz Ag
<b>Reserves<sup>2</sup></b>			
Proven	69.0	4.94	11.0
Probable	459.1	6.18	91.2
P&P	528.0	6.02	102.1
<b>Resources<sup>4</sup>, exclusive of Reserves</b>			
Measured	39.5	2.58	3.27
Indicated	247.2	3.81	30.26
M&I	286.7	3.64	33.54
Inferred	346.6	4.28	47.73

\* Mineral reserves and resources are reported on a 100% basis. 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  
 B = billion  
 g/t = grams/tonne

Approximate cut-off grades  
 (see Resources Footnotes):

**Donlin Gold**  
 Reserves<sup>1</sup>: 0.57 g/t gold  
 Resources<sup>3</sup>: 0.46 g/t gold

**Galore Creek**  
 Reserves<sup>2</sup>: C\$10.08 NSR  
 Resources<sup>4</sup>: C\$10.08 NSR

Notes:

- These resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standard, unless otherwise noted.
- See numbered footnotes on page 31 for resource information.
- Rounding 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 and silver ounces are reported as troy ounces, contained copper pounds as imperial pounds.



## Resources Footnotes:

1. 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.
2. 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' (\$NSR/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.
3. 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 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".
4. 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. 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 M,I&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 Reserve & Resource 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. United States 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 a higher category. Therefore, United States 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 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 each of NOVAGOLD's projects.

<b>Project</b>	<b>Qualified Person(s)</b>	<b>Most Recent Disclosures &amp; Filing Dates</b>
Donlin Gold	Gordon Seibel, R.M. SME, AMEC Kirk Hanson, P.E., 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.

Heather White, B.Sc., P.Eng., who is a consultant to NOVAGOLD and a "qualified person" under NI 43-101, has approved the scientific and technical information included in this Reserve and Resource Table.

## Cautionary Note Regarding 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 the Donlin Gold project, statements relating to NOVAGOLD's future operating and financial performance, 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", and similar expressions, or statements that events, conditions, or results "will", "may", "could", or "should" occur or be achieved. 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 for and availability of additional financing to explore and develop; uncertainties involved in the estimation of reserves and resources; the need for continued cooperation with Barrick Gold Corporation and Teck Resources Limited; the need for cooperation of government agencies and native groups in the development and operation of our properties; the need to obtain permits and governmental approvals; 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, 2014, filed with the United States Securities and Exchange Commission. 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.

**Management** (shown left-right)

**Ron Rimelman, B.SC.**

vice president, environment, health, safety and sustainability

**David Deisley**

executive vice president and general counsel

**Gregory A. Lang**

president and chief executive officer

**Richard Williams**

vice president, engineering & development

**Mélanie Hennessey**

vice president, corporate communications

**David Ottewell, CA**

vice president and chief financial officer



## Corporate Information [\(click here to learn more\)](#)

**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)

[www.computershare.com](http://www.computershare.com)

**Auditors**

PricewaterhouseCoopers LLP

**Share Listings**

TSX, NYSE-MKT: NG

Issued at January 22, 2015, 317.8 million\*

\*Excludes outstanding convertible notes. Notes mature on May 1, 2015.

**Board of Directors**

**Dr. Thomas S. Kaplan**

chairman, NOVAGOLD RESOURCES INC.;

chairman and chief investment officer, The Electrum Group LLC,

natural resources investment management company

**Sharon Dowdall** <sup>(1, 2)</sup>

corporate director

**Marc Faber** <sup>(4)</sup>

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

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

president and CEO, NOVAGOLD RESOURCES INC.

**Gillyeard J. Leathley** <sup>(3)</sup>

COO and director, Sunward Resources Ltd;

former COO, Homestake Mining Company

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

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

**Kalidas V. Madhavpeddi** <sup>(1, 2)</sup>

overseas CEO, China Molybdenum Company Limited; former

executive with Phelps Dodge

**Gerald J. McConnell** <sup>(4, 5)</sup>

CEO, Namibia Rare Earths Inc.

**Clynton R. Nauman** <sup>(1, 3)</sup>

CEO, Alexco Resource Corp.

**Rick Van Nieuwenhuysse** <sup>(5)</sup>

president and CEO, NovaCopper Inc.;

founder and former CEO, NOVAGOLD RESOURCES INC.

**Anthony P. Walsh** <sup>(1, 2)</sup>

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

**NOVAGOLD**

## Management's Discussion & Analysis

**NOVAGOLD RESOURCES INC.**

**Year-End Financial Statements**

**November 30, 2014**



## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations constitutes management's review of the factors that affected our financial and operating performance for the years ended November 30, 2014, 2013 and 2012. This discussion should be read in conjunction with the consolidated financial statements and notes thereto contained elsewhere in this report.

### **Overview**

Our operations primarily relate to the delivery of project milestones, including the achievement of various technical, environmental, sustainable development, economic and legal objectives, obtaining necessary permits, completion of feasibility studies, preparation of engineering designs and the financing to fund these objectives.

In 2014, we successfully delivered on the key goals established at the beginning of the year. Highlights of our accomplishments include:

#### *Advancement of the Donlin Gold project*

In 2014, permitting activities continued at Donlin Gold and were mainly focused on preparation of the draft Environmental Impact Statement (EIS). The EIS is required by the National Environmental Policy Act (NEPA), the act that governs the process by which most major projects in the United States are evaluated. The EIS is also, in large part, a determining factor in the overall permitting timeline which, for Donlin Gold, commenced in 2012 and is anticipated to take approximately four years to complete. This document is comprised of four main sections which:

- Outline the purpose and the need for the proposed mine. The management of Donlin Gold LLC and its Native Corporation partners, Calista Corporation and The Kuskokwim Corporation (TKC), jointly contributed to the preparation of this section which highlights the need for the development of the proposed mine and the benefit it would bring to its stakeholders.
- Identify and analyze a reasonable range of alternatives to the mine development proposed by Donlin Gold which comprise variations on certain mine site facility designs, as well as local transportation and power supply options.
- Involve the preparation of an environmental analysis of the proposed action and reasonable alternatives (including a no action alternative), which identifies and characterizes the potential biological, social, and cultural impacts relative to the existing baseline conditions. This portion normally constitutes the most extensive part of the EIS.
- Describe potential mitigation measures intended to reduce or eliminate the environmental impacts described in the impact analysis section.

During the second quarter, the U.S. Army Corps of Engineers (the "Corps"), the lead agency for the Donlin Gold EIS, and cooperating agencies' completed the alternatives identification, establishing a reasonable range of alternatives to be evaluated in the EIS. Outstanding environmental baseline data and analysis required to complete the draft EIS were compiled and provided to the Corps through the third quarter. During the fourth quarter, the Corps distributed the initial drafts of the Environmental Consequences sections of the draft EIS to the cooperating agencies and Donlin Gold, who provided input to the Corps prior to the end of December 2014. The Corps and AECOM, its EIS contractor, presently are considering the agencies' and Donlin Gold's comments and will incorporate the relevant changes into the draft EIS, which is on schedule to be issued for public comment in 2015. The Corps and AECOM also continued their public outreach efforts, holding meetings in local communities and participating in local radio programs during the second half of 2014.

In addition, Donlin Gold LLC continues to work simultaneously with other permitting agencies on other major permit applications, such as air quality, water discharge and usage, gas pipeline, wetlands, rights-of-way, and dam safety.

Beyond permitting, on September 4, 2014 the Company announced that it has invested in the National Fish and Wildlife Foundation's (NFWF) Alaska Fish and Wildlife Fund conservation initiative designed to protect, conserve and restore fish and wildlife in Alaska. Some of the proposed projects and locally-led efforts are in the Yukon-Kuskokwim (Y-K) region where the Donlin Gold project is located. The program will integrate NFWF's expertise with Donlin Gold's wealth of baseline data and regional experience and ecological knowledge of Native Alaskans to enhance fish and wildlife in Alaska for many years to come.

On June 9, 2014, the Company announced that Donlin Gold LLC and TKC reached an updated long term Surface Use Agreement for the Donlin Gold project. This agreement has been extended to coincide with the term of the Exploration and Mining Lease with the Calista Corporation and continues so long as production continues at the project. This agreement:

- Provides direct compensation to TKC through payments for project milestones, annual surface use and mine operation.
- Includes a coordinated and consultative approach between Donlin Gold and TKC regarding annual project planning, reclamation as well as preparation of a subsistence harvest plan for affected surface lands.
- Gives preference to TKC for contracts, hiring and training TKC shareholders, as well as funding scholarships and working with federal, state and local entities to help create and fund a training facility in the region.
- Commits to an exclusive contract with TKC for the construction and operations of an upriver port site.

Donlin Gold remains actively engaged in sponsorship activities at the community level, supporting local youth in leadership endeavors, visiting communities in the Y-K region and executing on its workforce development strategy. Throughout 2014, we continued to promote safety, education and workforce development by supporting local and regional events, scholarships and programs. We led and participated in multiple community meetings throughout the region. Additionally, we participated in the annual spring Clean Up Green Up event, where a record of 52 villages participated this year in community-wide efforts to reduce litter and promote reuse and recycling.

Our share of funding for Donlin Gold was \$13.9 million in 2014. For 2015, we expect to spend approximately \$12.6 million to fund our share of Donlin Gold activities, primarily for continued permitting and community development.

We record our interest in the Donlin Gold project as an equity investment, which results in our 50% share of Donlin Gold's expenses being recorded in the income statement as an operating loss. The investment amount recorded on the balance sheet primarily represents unused funds advanced to Donlin Gold.

#### *Galore Creek project*

In the first quarter of 2014, we announced drill results of Galore Creek's 2013 campaign which identified extensions to the copper-gold mineralization into, as well as adjacent to, the 2012 Legacy zone discovery. The focus in 2014 was to incorporate the drilling results from the 2012 and 2013 programs into a model to advance mine planning and project design. As a follow-up to the workshops conducted in the second quarter, activities in the third and fourth quarters focused on narrowing down possible scenarios for optimizing the integrated mining, waste disposal and water management plans in the Galore Valley.

We expect this effort to further improve the value and marketability of the Galore Creek project. Our strategy includes the monetization of the Galore Creek project, in whole or in part, to strengthen our balance sheet and focus primarily on the permitting of Donlin Gold. GCMC remains active in the community, sponsoring local fundraising events, supporting Tahltan literacy camps, as well as providing assistance and funding for research on the Tahltan language dictionary.

Our share of funding for the Galore Creek partnership was \$2.1 million in 2014, primarily for technical studies, community commitments, environmental monitoring, severance as well as site care and maintenance. For 2015, we expect to spend approximately \$1.6 million to fund our share of Galore Creek's activities to continue to advance technical studies in project mine planning and design, waste rock and water management, environmental monitoring, community commitments and site care and maintenance.

We record our interest in the Galore Creek partnership as an equity investment, which results in our 50% share of expenses being recorded in the income statement as an operating loss. The investment amount recorded on the balance sheet primarily represents the fair value of the Company's investment in the Galore Creek partnership in 2011, recorded upon Teck's completion of their earn-in, and unused funds advanced to the partnership.

Subsequent to November 30, 2014, there has been a significant decline in the price of copper. A sustained decline in the long-term copper price is deemed to be an indicator of possible impairment. Therefore, if the decline in price is sustained over a longer period, the Company may be required to test its investment in the Galore Creek partnership for impairment.

#### *Maintained our strong financial position*

- Expenditures to fund our operations and our 50% share of each of the Donlin Gold and Galore Creek projects totaled \$25.8 million, \$4.2 million less than planned and \$12.5 million lower than 2013 spending.
- Cash and term deposits totaled \$165.3 million at November 30, 2014, sufficient to repay the remaining \$15.8 million of the outstanding convertible notes due in May 2015 and to advance the Donlin Gold project through the remaining expected permitting process.

#### **Outlook**

*Our goals for 2015 include:*

- Advance the Donlin Gold project toward a construction/production decision.
- Advance Galore Creek mine planning and project design.
- Evaluate opportunities to monetize the value of Galore Creek.
- Maintain a healthy balance sheet.
- Maintain an effective corporate social responsibility program.

We do not currently generate operating cash flows. At November 30, 2014, we had cash and cash equivalents of \$70.3 million and term deposits of \$95.0 million. At present, we believe that these balances are sufficient to repay the remaining convertible notes and cover the anticipated funding at the Donlin Gold and Galore Creek projects in addition to general and administrative costs through completion of permitting at the Donlin Gold project. Additional capital will be necessary if permits are received at the Donlin Gold project and a decision to commence construction is reached. Future financings to fund construction are anticipated through debt financing, equity financing, project specific debt, or other means. Our continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. However, there can be no assurance that we will be successful in our efforts to raise additional capital. For further information, see section Item 1A, Risk Factors - Our ability to continue the exploration, permitting, development, and construction of the Donlin Gold and Galore Creek projects, and to continue as a going concern, will depend in part on our ability to obtain suitable financing, above.

In 2015, we expect to spend approximately \$44.8 million, including \$15.8 million to repay the principal on the remaining convertible notes, \$14.2 million to fund our share of expenditures at the Donlin Gold and Galore Creek projects; \$1.5 million for joint Donlin Gold studies with Barrick and \$13.3 million for general and administrative costs, interest, working capital and other corporate purposes.

#### **Summary of Consolidated Financial Performance**

(\$ thousands, except per share)	Years ended November 30,		
	2014	2013	2012
Loss from operations	\$ (38,008)	\$ (55,776)	\$ (79,942)
Net loss	\$ (40,484)	\$ (62,760)	\$ (11,829)
Net loss per common share			
Basic and diluted	\$ (0.13)	\$ (0.20)	\$ (0.05)

#### **Results of Operations**

##### *2014 compared to 2013*

Loss from operations decreased \$17.8 million from \$55.8 million in 2013 to \$38.0 million in 2014. The decrease resulted from lower general and administrative expense and lower losses from equity investments in the Donlin Gold and Galore Creek projects. General and administrative expense decreased \$4.9 million due to lower share-based compensation, office rent and professional fees. Our share of losses at the Donlin Gold project decreased by \$0.6 million, as 2014 activities continued to focus primarily on permitting. At the Galore Creek project, our share of losses decreased by \$11.4 million due to not conducting exploration and reduced camp activity in 2014 and mobile equipment being fully depreciated in 2013.

Net loss decreased from \$62.8 million (\$0.20 per share – basic and diluted) in 2013 to \$40.5 million (\$0.13 per share – basic and diluted) in 2014. The decrease resulted primarily from the \$17.8 million reduction in the loss from operations in 2014 compared to 2013. Interest expense decreased by \$5.8 million due to the \$79.2 million repurchase of Notes in 2013. We recorded a write-down of marketable securities and other investments totaling \$3.2 million in 2013 and had a lower tax expense of \$0.3 million in 2014 compared to \$3.9 million in 2013.

##### *2013 compared to 2012*

Loss from operations decreased 30% from \$79.9 million in 2012 to \$55.8 million in 2013. The decrease resulted from lower general and administrative

expenses and a lower share of losses from equity investments in the Donlin Gold and Galore Creek projects. General and administrative expenses decreased 30% due to corporate reorganization costs that were incurred in 2012 for severance and recruiting. Our share of losses at the Donlin Gold project decreased by \$2.3 million, as 2013 activities were focused primarily on permitting. At the Galore Creek project, our share of losses decreased by \$10.0 million due to a smaller drilling program that focused on the 2012 Legacy zone discovery.

Net loss increased from \$11.8 million (\$0.05 per share – basic and diluted) in 2012 to \$62.7 million (\$0.20 per share – basic and diluted) in 2013. In 2012, the fair value of U.S. dollar denominated warrants and the Notes decreased and we recorded a gain on derivative liabilities of \$76.2 million compared to a gain of \$1.4 million in 2013, partially offset by the \$24.1 million reduction in the loss from operations in 2013 compared to 2012. We also had a \$3.9 million tax expense in 2013 compared to a \$7.7 million income tax recovery and a \$4.2 million net loss from discontinued operations in 2012.

## Liquidity, Capital Resources and Capital Requirements

(\$ thousands)	Years ended November 30,		
	2014	2013	2012
Cash used in continuing operations	\$ (9,808)	\$ (19,491)	\$ (28,570)
Cash used in investing activities of continuing operations	\$ (967)	\$ (128,846)	\$ (34,842)
Cash provided from (used in) financing activities of continuing operations	\$ —	\$ (24,812)	\$ 323,585

(\$ thousands)	As of November 30,	
	2014	2013
Cash and cash equivalents	\$ 70,325	\$ 81,262
Term deposits	\$ 95,000	\$ 110,000

Cash and cash equivalents decreased by \$10.9 million and term deposits decreased by \$15.0 million during 2014. The cash used in operating activities was primarily related to \$9.8 million for administrative costs and interest, offset by reductions in working capital and \$15.9 million to fund our share of the Donlin Gold and Galore Creek projects, partially offset by proceeds of \$15.0 million from term deposits. The U.S. dollar denominated term deposits are held at two Canadian chartered banks. We have sufficient working capital available to repay the remaining \$15.8 million of outstanding Notes due in May 2015 and to advance the Donlin Gold project through the expected remaining permitting process.

### 2014 compared to 2013

Cash used in continuing operations decreased from \$19.5 million in 2013, to \$9.8 million in 2014. The decrease resulted from a reduction in corporate overhead and administrative costs, a reduction in working capital and lower interest payments due to the \$79.2 million repurchase of Notes in 2013.

Cash used in investing activities to fund our share of the Donlin Gold and Galore Creek projects decreased by \$2.8 million in 2014 due to continued permitting activities at the Donlin Gold project and no exploration program in 2014 at the Galore Creek project. Term deposits decreased by \$15.0 million in 2014 compared to an increase of \$110.0 million in 2013.

There was no cash used in financing activities in 2014.

### 2013 compared to 2012

Cash used in continuing operations decreased from \$28.6 million in 2012, to \$19.5 million in 2013. The decrease resulted from the successful reorganization of the Company in 2012 encompassing the spin-out of NovaCopper Inc., the sale of AGC, which included Rock Creek, as well as a reduction in corporate overhead and administrative costs. Interest payments were lower due to the \$79.2 million repurchase of Notes in 2013. Cash used in discontinued operations in 2012 included \$25.5 million in 2012 to fund the operations of NovaCopper Inc. and the Rock Creek project.

Cash used in investing activities of continuing operations in 2013 included an investment of \$110.0 million in term deposits. Funding of investments in affiliates decreased by \$14.1 million due to lower project activity during permitting at the Donlin Gold project and a reduced exploration program at the Galore Creek project.

Cash used in financing activities of continuing operations in 2013 included the repurchase of \$79.2 million of our Notes, partially offset by the receipt of \$54.4 million in net proceeds from the exercise of all outstanding warrants. In 2012, we received net proceeds of \$318.0 million from the completion of an equity financing of 35 million common shares at \$9.50 per share and \$5.6 million from the exercise of warrants. Cash used in financing activities of discontinued operations in 2012 included \$40.0 million to fund the spin-out of NovaCopper Inc.

## Contractual Obligations

Our contractual obligations as of November 30, 2014 were as follows:

(\$ thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Reclamation and remediation	\$ 625	\$ 625	\$ —	\$ —	\$ —
Office and equipment leases	1,175	427	713	—	—
Convertible notes – principal	15,829	—	15,829	—	—
Convertible notes – interest	435	435	—	—	—
Promissory note	76,153	—	—	—	76,153

## Off-Balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements required to be disclosed in this Annual Report on Form 10-K.

## Outstanding share data

As of January 22, 2015, we had 317,794,647 common shares issued and outstanding. As of January 22, 2015, we had 18,530,933 stock options with a

weighted-average exercise price of C\$4.86, 3,181,750 performance share units and 198,530 deferred share units outstanding. Following the Company's purchases of the Notes in 2013, \$15.8 million of the principal amount of the Notes remain outstanding and due on May 1, 2015 and 1,639,370 common shares remain issuable upon conversion.

#### **Related party transactions**

The Company provided exploration and management services to Donlin Gold for \$235,000 in 2014, \$258,000 in 2013 and \$236,000 in 2012; office rental and services to Galore Creek for \$437,000 in 2014, \$423,000 in 2013 and \$796,000 in 2012; and management and office administration services to NovaCopper Inc. for \$nil in 2014, \$168,000 in 2013 and \$83,000 in 2012.

As of November 30, 2014, the Company has accounts receivable from Donlin Gold of \$nil (2013: \$1,750,000) and from Galore Creek of \$335,000 (2013: \$394,000) included in other current assets and a receivable of \$3,836,000 (2013: \$4,132,000) from Galore Creek included in other long-term assets.

#### **Fourth quarter results**

During the fourth quarter of 2014, we incurred a net loss of \$7.1 million compared to a net loss of \$19.2 million for the comparable period in 2013. The decrease in net loss in 2014 compared to 2013 was primarily due to lower equity loss from Galore Creek as well as lower general and administrative and interest expense in 2014 and deferred income tax expense in 2013.

#### **Accounting Developments**

For a discussion of Recently Issued Accounting Pronouncements, see Note 2 to the Consolidated Financial Statements.

#### **Critical Accounting Policies**

We believe the following accounting policies are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported.

##### *Investment in affiliates*

Our investments in the Donlin Gold project and the Galore Creek project are accounted for using the equity method. The equity method is a basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the investor's pro rata share of post-acquisition earnings or losses of the investee, as computed by the consolidation method. Cash funding increases the carrying value of the investment. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

These investments are non-publicly traded equity investees in advanced exploration projects. Therefore, we assess whether there has been a potential impairment triggering event for other-than-temporary impairment by testing the underlying assets of the equity investee for recoverability and assessing whether there has been a change in the development plan or strategy for the project. If we determine underlying assets are recoverable and no other potential impairment conditions are identified, then our investment in the equity investee is carried at cost. If the other underlying assets are not recoverable, we record an impairment charge equal to the difference between the carrying amount of the investee and its fair value. We determined fair value based on the present value of future cash flows expected to be generated by the project. If reliable cash flow information is not available, we determine fair value using a market comparable approach.

Subsequent to November 30, 2014, there has been a significant decline in the price of copper. A sustained decline in the long-term copper price is deemed to be an indicator of possible impairment. Therefore, if the decline in price is sustained over a longer period, the Company may be required to test its investment in the Galore Creek partnership for impairment.

##### *Mineral properties and exploration and evaluation expenditures*

Mineral property acquisition costs, including directly related costs, are capitalized when incurred, and mineral property exploration and evaluation costs are expensed as incurred. Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body and the removal of overburden to initially expose an ore body at open pit surface mines. Capitalization of mine development project costs, that meet the definition of an asset, begins once mineralization is classified as proven and probable reserves as defined by SEC Industry Guide 7. Capitalized costs will be amortized using the units-of-production method over the estimated life of the proven and probable reserves. If mineral properties are subsequently abandoned or impaired, any unamortized costs will be charged to loss in that period.

The recoverability of the carrying values of our mineral properties is dependent upon economic reserves being discovered or developed on the properties, permitting, financing, start-up, and commercial production from, or the sale/lease of, or other strategic transactions related to these properties.

Subsequent to November 30, 2014, there has been a significant decline in the price of copper. A sustained decline in the long-term copper price is deemed to be an indicator of possible impairment. Therefore, if the decline in price is sustained over a longer period, the Company may be required to test its Copper Canyon mineral property for impairment.

##### *Income taxes*

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be recognized.

##### *Share-based compensation*

We operate a stock option plan and a performance share unit (PSU) plan, under which the entity receives services from employees as consideration for equity instruments (options or shares) of the Company. The fair value for the options and share units are recognized in earnings over the related service



period. The total amount to be expensed related to options is determined by reference to the fair value of the options granted including any market performance conditions and the impact of any non-vesting conditions; and excluding the impact of any service and non-market performance vesting conditions.

The fair value of stock options is estimated at the time of grant using the Black-Scholes option pricing model, and the fair value of the PSUs is measured at the grant date using a Monte Carlo simulation, which takes into account, as of the grant date, the fair market value of the shares, expected volatility, expected dividend yield and the risk-free interest rate over the life of the PSU, to generate potential outcomes for stock prices which are used to estimate the probability of the PSUs vesting at the end of the performance measurement period.

We grant our board members deferred share units (DSUs), whereby each DSU entitles the directors to receive one common share of the Company when they retire from service with the Company. The fair value of the DSUs is measured at the date of the grant in amounts ranging from 50% to 100% of directors' annual retainers at the election of the directors. The fair value is recognized in consolidated statement of income (loss) over the related service period.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

Our financial instruments are exposed to certain financial risks, including currency, credit and interest rate risks.

##### *Currency risk*

We are exposed to financial risk related to the fluctuation of foreign exchange rates. We operate in Canada and the United States and a portion of our expenses are incurred in Canadian dollars. A significant change in the currency exchange rate between the Canadian dollar relative to the U.S. dollar could have an effect on our results of operations, financial position or cash flows.

We have not hedged our exposure to currency fluctuations. At November 30, 2014, we are exposed to currency risk through our investment in the Galore Creek project, mineral properties, deferred income taxes and cash balances held in Canadian dollars.

Based on the above net exposures as at November 30, 2014, and assuming that all other variables remain constant, a \$0.01 appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of approximately \$3.0 million in our consolidated comprehensive income (loss).

##### *Credit risk*

Concentration of credit risk exists with respect to our cash and cash equivalents and term deposit investments. All deposits are held through two Canadian chartered banks with high investment-grade ratings and have maturities of less than one year.

##### *Interest rate risk*

The Notes are not subject to interest rate risk because they are at fixed rates. The interest rate on the promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as at November 30, 2014, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of \$0.8 million in the interest accrued by us per annum.

#### **Item 8. Financial Statements and Supplementary Data**

##### **Supplementary Data**

For the required supplementary data, please see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Summary of Quarterly Results" above.

#### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of our assets are made in accordance with management's authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Management conducted its evaluation of the effectiveness of our internal controls over financial reporting based on the framework in Internal Control – Integrated Framework (2013) by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of November 30, 2014.

The effectiveness of our assessment of internal control over financial reporting as of November 30, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

/s/ Gregory A. Lang

Gregory A. Lang  
President and Chief Executive Officer  
January 28, 2015

/s/ David A. Ottewell

David A. Ottewell  
Vice President and Chief Financial Officer

## Report of Independent Registered Public Accounting Firm

### **To the Shareholders of NOVAGOLD RESOURCES INC.**

We have audited the accompanying consolidated balance sheets of NOVAGOLD RESOURCES INC. (NOVAGOLD or the Company) as of November 30, 2014 and November 30, 2013 and the related consolidated statements of loss, comprehensive loss, cash flows and equity for each of the years in the three-year period ended November 30, 2014. We also have audited NOVAGOLD's internal control over financial reporting as of November 30, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our integrated audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NOVAGOLD as of November 30, 2014 and 2013 and the results of its operations and its cash flows for each of the years in the three-year period ended November 30, 2014 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, NOVAGOLD maintained, in all material respects, effective internal control over financial reporting as of November 30, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

(signed) PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, BC

Canada

January 28, 2015

# Consolidated Balance Sheets

(in thousands)

	<b>At November 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 70,325	\$ 81,262
Investments (note 4)	95,000	110,000
Other assets	3,735	5,549
Current assets	169,060	196,811
Investments (note 4)	901	1,280
Investment in affiliates (note 5)	284,865	307,455
Mineral property (note 6)	50,897	54,813
Deferred income taxes (note 10)	11,445	9,728
Other assets	7,378	8,599
Total assets	\$ 524,546	\$ 578,686
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 3,489	\$ 3,492
Debt (note 7)	15,112	—
Other liabilities	625	861
Current liabilities	19,226	4,353
Debt (note 7)	76,153	85,298
Derivative liabilities (note 8)	—	83
Deferred income taxes (note 10)	24,051	23,303
Total liabilities	119,430	113,037
Commitments and contingencies (note 20)		
<b>EQUITY</b>		
Common shares		
Authorized – 1,000,000 shares, no par value		
Issued and outstanding – 317,288 and 316,661 shares issued less nil and 9 treasury shares, respectively	1,936,336	1,933,953
Contributed surplus	74,038	66,811
Accumulated deficit	(1,640,103)	(1,599,619)
Accumulated other comprehensive income	34,845	64,504
Total equity	405,116	465,649
Total liabilities and equity	\$ 524,546	\$ 578,686

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

/s/ Gregory A. Lang

/s/ Anthony P. Walsh

## Consolidated Statements of Loss

(in thousands, except per share amounts)

	Years ended November 30,		
	2014	2013	2012
<hr/>			
Operating expenses:			
Equity loss of affiliates (note 5)	\$ 15,926	\$ 27,972	\$ 40,330
General and administrative (note 11)	22,046	26,991	39,145
Exploration and evaluation	—	—	363
Depreciation	36	37	104
Write-down of assets (note 12)	—	776	—
	38,008	55,776	79,942
Loss from operations	(38,008)	(55,776)	(79,942)
Other income (expense):			
Interest income	854	942	572
Interest expense	(6,838)	(12,607)	(15,305)
Foreign exchange gain	3,688	10,448	2,987
Gain on derivative liabilities (note 8)	83	1,356	76,246
Write-down of investments (note 4)	—	(3,227)	—
Other	—	—	108
	(2,213)	(3,088)	64,608
Loss before income taxes	(40,221)	(58,864)	(15,334)
Income tax (expense) recovery (note 10)	(263)	(3,896)	7,748
Net loss from continuing operations	(40,484)	(62,760)	(7,586)
Net loss from discontinued operations (note 14)	—	—	(4,243)
Net loss	\$ (40,484)	\$ (62,760)	\$ (11,829)
Loss per common share			
Basic and diluted:			
Continuing operations	\$ (0.13)	\$ (0.20)	\$ (0.03)
Discontinued operations	—	—	(0.02)
	\$ (0.13)	\$ (0.20)	\$ (0.05)
Weighted average shares outstanding			
Basic and diluted	317,203	313,372	272,243

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Comprehensive Loss

(in thousands)

	Years ended November 30,		
	2014	2013	2012
<hr/>			
Net loss	\$ (40,484)	\$ (62,760)	\$ (11,829)
Unrealized gains (losses) on marketable securities			
Unrealized holding gains (losses) during period (note 18)	(288)	(855)	(1,474)
Reclassification adjustment for losses included in net income	—	2,738	—
Net unrealized gain (loss), net of \$(14), \$(32) and \$(59) tax expense (recovery)	(288)	1,883	(1,474)
Foreign currency translation adjustments	(29,371)	(34,687)	7,235
Other comprehensive income (loss)	(29,659)	(32,804)	5,761
Comprehensive loss	\$ (70,143)	\$ (95,564)	\$ (6,068)

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Cash Flows

(in thousands)

	Years ended November 30,		
	2014	2013	2012
<b>Operating activities:</b>			
Net loss	\$ (40,484)	\$ (62,760)	\$ (11,829)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	36	37	104
Deferred income taxes	74	3,606	(7,748)
Foreign exchange gain	(3,688)	(10,448)	(2,987)
Loss from discontinued operations	—	—	4,243
Share-based compensation	10,197	12,304	19,862
Equity losses of affiliates	15,926	27,972	40,330
Gain on derivative liabilities	(83)	(1,356)	(76,246)
Write-down of assets	—	776	—
Write-down of investments	—	3,227	—
Other	5,677	9,358	9,062
Withholding tax on share-based compensation	(636)	(619)	(2,960)
Net change in operating assets and liabilities (note 13)	3,173	(1,588)	(401)
Net cash used in continuing operations	<u>(9,808)</u>	<u>(19,491)</u>	<u>(28,570)</u>
Net cash used in discontinued operations (note 14)	<u>—</u>	<u>—</u>	<u>(25,488)</u>
<b>Investing activities:</b>			
Additions to property and equipment	(21)	(78)	(100)
Proceeds from term deposits	215,000	—	—
Purchases of term deposits	(200,000)	(110,000)	—
Funding of affiliates	(15,946)	(18,793)	(34,742)
Proceeds from sale of assets	—	25	—
Net cash used in investing activities of continuing operations	<u>(967)</u>	<u>(128,846)</u>	<u>(34,842)</u>
Net cash provided from investing activities of discontinued operations (note 14)	<u>—</u>	<u>—</u>	<u>483</u>
<b>Financing activities:</b>			
Proceeds from share issuance, net	—	54,359	323,585
Repayment of debt	—	(79,171)	—
Net cash provided from (used in) financing activities of continuing operations	<u>—</u>	<u>(24,812)</u>	<u>323,585</u>
Net cash used in financing activities of discontinued operations (note 14)	<u>—</u>	<u>—</u>	<u>(40,000)</u>
Effect of exchange rate changes on cash	(162)	(256)	132
Increase (decrease) in cash and cash equivalents	(10,937)	(173,405)	195,300
Cash and cash equivalents at beginning of period	81,262	254,667	59,367
Cash and cash equivalents at end of period	<u>\$ 70,325</u>	<u>\$ 81,262</u>	<u>\$ 254,667</u>

See note 21 for supplemental cash flow information.

The accompanying notes are an integral part of these consolidated financial statements.

## Consolidated Statements of Equity

(in thousands)

	Common shares		Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
	Shares	Amount				
November 30, 2011	239,985	\$ 1,158,771	\$ 487,306	\$ (1,525,030)	\$ 91,547	\$ 212,594
Net loss	—	—	—	(11,829)	—	(11,829)
Other comprehensive income	—	—	—	—	5,761	5,761
Common share issuance	35,000	317,841	—	—	—	317,841
Warrants exercised	3,891	54,282	(48,539)	—	—	5,743
Share-based compensation and related share issuances	1,051	4,095	16,186	—	—	20,281
Return of capital – NovaCopper	—	(72,887)	(693)	—	—	(73,580)
November 30, 2012	279,927	\$ 1,462,102	\$ 454,260	\$ (1,536,859)	\$ 97,308	\$ 476,811
Net loss	—	—	—	(62,760)	—	(62,760)
Other comprehensive loss	—	—	—	—	(32,804)	(32,804)
Warrants exercised	36,529	469,150	(397,052)	—	—	72,098
Share-based compensation and related share issuances	205	2,701	9,603	—	—	12,304
November 30, 2013	316,661	\$ 1,933,953	\$ 66,811	\$ (1,599,619)	\$ 64,504	\$ 465,649
Net loss	—	—	—	(40,484)	—	(40,484)
Other comprehensive loss	—	—	—	—	(29,659)	(29,659)
Share-based compensation and related share issuances	627	2,383	7,227	—	—	9,610
November 30, 2014	317,288	\$ 1,936,336	\$ 74,038	\$ (1,640,103)	\$ 34,845	\$ 405,116

The accompanying notes are an integral part of these consolidated financial statements.

## Notes to Consolidated Statements

### NOTE 1 – THE COMPANY

NOVAGOLD RESOURCES INC. and its affiliates and subsidiaries (collectively, “NOVAGOLD” or the “Company”) operates in the mining industry, focused on the exploration for and development of gold and copper mineral properties. The Company has no operations or realized revenues from its planned principal business purpose. The Company’s principal assets include a 50% interest in the Donlin Gold project in Alaska, U.S.A. and a 50% interest in the Galore Creek project in British Columbia, Canada.

The Company’s primary focus is on the Donlin Gold project, which advanced to the permitting phase in 2012. The Donlin Gold project is owned and operated by Donlin Gold LLC, a limited liability company that is owned equally by wholly owned subsidiaries of NOVAGOLD and Barrick Gold Corporation (“Barrick”).

The Company is currently exploring opportunities to sell, in whole or in part its interest in the Galore Creek Partnership. The Galore Creek project is owned by the Galore Creek Partnership a partnership in which NOVAGOLD Canada Inc, a wholly owned subsidiary of NOVAGOLD, and Teck Resources Limited (“Teck”) each own a 50% interest. Galore Creek Mining Corporation (GCMC) is owned by the Partnership and manages Galore Creek operations.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Presentation

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP).

References in these Consolidated Financial Statements and Notes to \$ refer to United States currency and C\$ to Canadian currency. Dollar amounts are in thousands, except for per share amounts.

#### Use of estimates

The preparation of the Company’s Consolidated Financial Statements in accordance with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions related to: estimates of gold and copper production that are the basis for future cash flow estimates utilized in impairment calculations; environmental, reclamation and closure obligations; estimates of fair value for asset impairments (including impairments of

mineral properties and investments); valuation allowances for deferred tax assets; reserves for contingencies and litigation; and the fair value and accounting treatment of financial instruments including marketable securities and derivative instruments. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results will differ from these amounts estimated in these financial statements.

### **Principles of consolidation**

The Company's Consolidated Financial Statements include NOVAGOLD RESOURCES INC. and its wholly owned subsidiaries. The Company's wholly-owned subsidiaries include NOVAGOLD Canada Inc., Copper Canyon Resources Inc., NOVAGOLD U.S. Holdings Inc., NOVAGOLD Resources Alaska Inc., NOVAGOLD USA Inc., and AGC Resources Inc. All inter-company transactions and balances are eliminated on consolidation.

The functional currency for the Company's Canadian operations is the Canadian dollar and the functional currency for the Company's U.S. operations is the U.S. dollar. Therefore, gains and losses on U.S. dollar denominated transactions and balances of Canadian operations are recorded on the Consolidated Statements of Loss.

### **Cash and cash equivalents**

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Restricted cash is excluded from cash and cash equivalents and is included in other long-term assets.

### **Term deposits**

The Company's term deposits are recorded at cost. The term deposits are owed to the Company by Canadian chartered banks and are not traded in an active market.

### **Investment in affiliates**

Investments in unconsolidated ventures that over which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method and include the Company's investments in the Donlin Gold project and the Galore Creek project. The Company identified Donlin Gold LLC and the Galore Creek Partnership as Variable Interest Entities (VIEs) as these entities are dependent on funding from their owners. All funding, ownership, voting rights and power to exercise control is shared equally on a 50/50 basis between the owners of each VIE. Therefore, the Company has determined that it is not the primary beneficiary of either VIE. The Company's maximum exposure to loss is its investment in Donlin Gold LLC and Galore Creek Partnership.

The equity method is a basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the investor's pro rata share of post-acquisition earnings or losses of the investee, as computed by the consolidation method. Cash funding increases the carrying value of the investment. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

Donlin Gold LLC and the Galore Creek Partnership are non-publicly traded equity investees in exploration and development projects. Therefore, the Company assesses whether there has been a potential impairment triggering event for other-than-temporary impairment by testing the underlying assets of the equity investee for recoverability and assessing whether there has been a change in the development plan or strategy for the project. If the Company determines that the underlying assets are recoverable and no other potential impairment conditions are identified, then the investment in the equity investee is carried at cost. If the underlying assets are not recoverable, the Company will record an impairment charge equal to the difference between the carrying amount of the investee and its fair value. Fair value is determined based on the present value of future cash flows expected to be generated by the project. If reliable cash flow information is not available, fair value is determined using a market comparable approach.

### **Mineral properties**

Mineral property expenditures are expensed as incurred except for expenditures associated with the acquisition of mineral property assets through a business combination or asset acquisition.

### **Income taxes**

The Company accounts for income taxes using the liability method, recognizing certain temporary differences between the financial reporting basis of the Company's liabilities and assets and the related income tax basis for such liabilities and assets. This method generates either a net deferred income tax liability or asset for the Company, as measured by the statutory tax rates in effect. The Company derives its deferred income tax charge or benefit by recording the change in either the net deferred income tax liability or asset balance for the year.

The Company's deferred income tax assets include certain future tax benefits. The Company records a valuation allowance against any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

### **Share-based payments**

The Company operates a stock option plan and a performance share unit (PSU) plan, under which the Company receives services from employees as consideration for equity instruments (options or shares) of the Company. The fair value for the options and share units are recognized in earnings over the related service period. The total amount to be expensed related to options is determined by reference to the fair value of the options granted including any market performance conditions and the impact of any non-vesting conditions; and excluding the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity. The fair value of stock options is estimated at the

time of grant using the Black-Scholes option pricing model, and the fair value of the PSUs is measured at the grant date using a Monte Carlo simulation, which takes into account, as of the grant date, the fair market value of the common shares, expected volatility, expected dividend yield and the risk-free interest rate over the life of the PSU, to generate potential outcomes for share prices which are used to estimate the probability of the PSUs vesting at the end of the performance measurement period.

The cash subscribed for the common shares issued when the options are exercised is credited to share capital, net of any directly attributable transaction costs.

The Company grants its directors deferred share units (DSUs), whereby each DSU entitles the directors to receive one common share of the Company when they retire from the Company. The fair value of the DSUs is measured at the date of the grant in amounts ranging from 50% to 100% of directors' annual retainers at the election of the directors. The fair value is recognized in consolidated statement of income (loss) over the related service period.

### **Net income (loss) per common share**

Basic and diluted income (loss) per share are presented for Net income (loss) and for Income (loss) from continuing operations. Basic income (loss) per share is computed by dividing Net income (loss) or Income (loss) from continuing operations by the weighted-average number of outstanding common shares for the period. Diluted income per share reflects the potential dilution that could occur if securities or other contracts that may require the issuance of common shares in the future were converted. Diluted income per share is computed by increasing the weighted-average number of outstanding common shares to include the additional common shares that would be outstanding after conversion and adjusting net income for changes that would result from the conversion. Only those securities or other contracts that result in a reduction in earnings per share are included in the calculation.

### **Recently adopted accounting pronouncements**

#### *Development Stage Entities*

In June 2014, Accounting Standards Codification (ASC) guidance was issued eliminating the concept of a development stage entity from US GAAP and clarified that the disclosures under risks and uncertainties guidance are also applicable to these entities. Entities that are in their development stage are no longer required to present and disclose incremental information, such as inception-to-date information. The Company elected early adoption of the new standard applied retrospectively. Adoption of the new guidance had no impact on the Company's consolidated financial position, results of operations or cash flows. The cumulative since inception financial information that was included previously under this standard are no longer being disclosed.

#### *Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income*

In February 2013, the FASB issued guidance related to items reclassified from accumulated other comprehensive income. The new standard requires either in a single note or parenthetically on the face of the financial statements: (i) the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its sources; and (ii) the income statement line items affected by the reclassification. The adoption of this guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

#### *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*

In July 2013, the FASB issued guidance related to the financial statement presentation of an unrecognized tax benefit, a similar tax loss, or a tax credit carryforward. The new standard requires that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward unless certain circumstances exist. Adoption of the new guidance had no impact on the Company's consolidated financial position, results of operations or cash flows.

### **Recently issued accounting pronouncements**

#### *Presentation of Financial Statements – Going Concern*

In August 2014, FASB ASC guidance was issued that explicitly requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. This standard is effective for the Company's fiscal year beginning December 1, 2017. Early application is permitted. The Company does not expect the updated guidance to have a material impact on the consolidated financial position, results of operations or cash flows.

#### *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*

In June 2014, ASC guidance was issued to update the guidance on performance stock awards. The guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. This standard is effective for the Company's fiscal year beginning December 1, 2016. Early application is permitted. The Company does not expect the updated guidance to have a material impact on the consolidated financial position, results of operations or cash flows.

#### *Discontinued Operations*

In April 2014, ASC guidance was issued related to Discontinued Operations which changed the criteria for determining which disposals can be presented as discontinued operations and modified related disclosure requirements. The updated guidance requires an entity to only classify dispositions as discontinued operations due to a major strategic shift or a major effect on an entity's operations in the financial statements. The updated guidance will also require additional disclosures relating to discontinued operations. The update is effective prospectively for the Company's fiscal year beginning December 1, 2015. Early application is permitted. The Company does not expect the updated guidance to have an impact on the consolidated financial position, results of operations or cash flows.

#### *Foreign Currency Matters*

In March 2013, ASC guidance was issued related to Foreign Currency Matters to clarify the treatment of cumulative translation adjustments when a parent sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The updated guidance also resolves the diversity in practice for the treatment of business combinations achieved in stages in a foreign



entity. The update is effective prospectively for the Company's fiscal year beginning December 1, 2015. The Company does not expect the updated guidance to have an impact on the consolidated financial position, results of operations or cash flows.

#### Disclosures about Offsetting Assets and Liabilities

In November 2011, ASC guidance was issued related to disclosures about offsetting assets and liabilities. The new standard requires disclosures to allow investors to better compare financial statements prepared under US GAAP with financial statements prepared under IFRS. In January 2013, an update was issued to further clarify that the disclosure requirements are limited to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (i) offset in the financial statements or (ii) subject to an enforceable master netting arrangement or similar agreement. The update is effective prospectively for the Company's fiscal year beginning December 1, 2015. The Company does not expect the updated guidance to have an impact on the consolidated financial position, results of operations or cash flows.

#### NOTE 3 – SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions. The Company has one operating segment in exploration and development of mineral properties. The Chief Executive Officer considers the business from a geographic perspective considering the performance of our investments in affiliates. Segment information is provided on each of the material projects individually in Note 5.

#### NOTE 4 – INVESTMENTS

	At November 30, 2014			
	Cost Basis	Unrealized		Fair Value Basis
		Gain	Loss	
Current:				
Term deposits	\$ 95,000	\$ —	\$ —	\$ 95,000
Long-term:				
Marketable equity securities	\$ 990	\$ 139	\$ (228)	\$ 901

	At November 30, 2013			
	Cost Basis	Unrealized		Fair Value Basis
		Gain	Loss	
Current:				
Term deposits	\$ 110,000	\$ —	\$ —	\$ 110,000
Long-term:				
Marketable equity securities	\$ 1,067	\$ 213	\$ —	\$ 1,280

Term deposits are held at two Canadian chartered banks with original maturities of less than 12 months. Marketable equity securities include available-for-sale investments in mineral exploration companies. During 2013, the Company recognized impairments for other-than-temporary declines in value of \$2,738 for marketable equity securities and to write-off \$489 of other investments, at cost. At November 30, 2014 all unrealized losses were in a continuous loss position for less than 12 months.

#### NOTE 5 – INVESTMENT IN AFFILIATES

	At November 30,	
	2014	2013
	Donlin Gold LLC, Alaska, USA	\$ 1,618
Galore Creek Partnership, British Columbia, Canada	283,247	305,735
	<u>\$ 284,865</u>	<u>\$ 307,455</u>

#### Donlin Gold LLC

On December 1, 2007, together with a subsidiary of Barrick, the Company formed a limited liability company ("Donlin Gold LLC") to advance the Donlin Gold project in Alaska. Donlin Gold LLC has a board of four directors, with two directors selected by Barrick and two directors selected by the Company. All significant decisions related to Donlin Gold LLC require the approval of Barrick and the Company. The Company has a 50% interest in Donlin Gold LLC.

Changes in the Company's investment in Donlin Gold LLC are summarized as follows:

	Years ended November 30,		
	2014	2013	2012
Balance – beginning of period	\$ 1,720	\$ 4,185	\$ 2,675
Funding	13,883	12,155	18,439
Share of losses	(13,985)	(14,620)	(16,929)
Balance – end of period	<u>\$ 1,618</u>	<u>\$ 1,720</u>	<u>\$ 4,185</u>

The following amounts represent the Company's 50% share of the assets and liabilities of Donlin Gold LLC. Donlin Gold LLC has capitalized as Mineral property the initial contribution of the Donlin Gold property with a carrying value of \$64,000 resulting in a higher carrying value of the Mineral property than the Company.

	At November 30,	
	2014	2013
Current assets: Cash, prepaid expenses and other receivables	\$ 2,294	\$ 3,390
Non-current assets: Property and equipment	403	541
Non-current assets: Mineral property	32,692	32,692
Current liabilities: Accounts payable and accrued liabilities	(1,079)	(2,211)
Non-current liabilities: Reclamation obligation	(692)	(692)
Net assets	<u>\$ 33,618</u>	<u>\$ 33,720</u>

### Galore Creek Partnership

The Galore Creek project is owned by the Galore Creek Partnership ("Partnership"), a partnership in which a wholly owned subsidiary of NOVAGOLD and Teck Resources Limited ("Teck") each own a 50% interest. The Partnership was formed in May 2007. Teck earned its 50% interest in the Partnership upon completion of its funding commitment of C\$373,300 in June 2011. Commencing June 2011, the partners funded the project costs on a 50/50 basis. The Partnership prepares its financial statements under International Financial Reporting Standards, as issued by the IASB and are presented in Canadian dollars. In accounting for its investment in the Partnership, the Company converts and presents reported amounts in accordance with US GAAP and in U.S. dollars.

Changes in the Company's investment in the Partnership are summarized as follows:

	Years ended November 30,		
	2014	2013	2012
Balance – beginning of period	\$ 305,735	\$ 335,086	\$ 333,380
Funding	2,063	6,638	16,303
Share of losses	(1,941)	(13,352)	(23,401)
Exploration tax credit	(693)	(1,352)	—
Foreign currency translation	(21,917)	(21,285)	8,804
Balance – end of period	<u>\$ 283,247</u>	<u>\$ 305,735</u>	<u>\$ 335,086</u>

The following amounts represent the Company's 50% share of the assets and liabilities of the Partnership. As a result of recording the Company's investment in the Partnership at fair value in June 2011, the carrying value of the Company's 50% interest in the Partnership is higher than 50% of the book value of the Partnership. Therefore, the Company's investment in the Partnership does not equal 50% of the net assets recorded by the Partnership:

	At November 30,	
	2014	2013
Current assets: Cash, prepaid expenses and other receivables	\$ 386	\$ 377
Non-current assets: Property and equipment	254,991	263,797
Current liabilities: Accounts payable and accrued liabilities	(360)	(483)
Non-current liabilities: Payables and decommissioning liabilities	(8,268)	(8,533)
Net assets	<u>\$ 246,749</u>	<u>\$ 255,158</u>

### Equity loss of affiliates:

	Years ended November 30,		
	2014	2013	2012
Donlin Gold LLC:			
Mineral property expenditures	\$ 13,811	\$ 14,412	\$ 16,753
Depreciation	174	208	176
	<u>13,985</u>	<u>14,620</u>	<u>16,929</u>
Galore Creek Partnership:			
Mineral property expenditures	442	4,580	11,984
Care and maintenance expense	1,499	2,444	4,952
Depreciation	—	6,328	6,465
	<u>1,941</u>	<u>13,352</u>	<u>23,401</u>
	<u>\$ 15,926</u>	<u>\$ 27,972</u>	<u>\$ 40,330</u>

### NOTE 6 – MINERAL PROPERTY

In 2011, the Company acquired 40% of the Copper Canyon property in British Columbia, Canada adjacent to the Galore Creek project. The remaining 60% of the Copper Canyon property is owned by the Partnership.

### NOTE 7 – DEBT

	At November 30,	
	2014	2013
Convertible notes	\$ 15,112	\$ 13,570
Promissory note	76,153	71,728
	<u>91,265</u>	<u>85,298</u>
Less: current portion	(15,112)	—
	<u>\$ 76,153</u>	<u>\$ 85,298</u>

Scheduled minimum debt repayments are \$15,829 in 2015, \$nil in 2016 through 2019, and \$76,153 thereafter. The carrying value of the debt approximates fair value.

### Convertible notes

On March 26, 2008, the Company issued \$95,000 in 5.5% unsecured senior convertible notes ("Notes") maturing on May 1, 2015, and incurred a 3.0% underwriter's fee and other expenses aggregating \$2,800, for net proceeds of \$92,200. Interest is payable semi-annually in arrears on May 1 and November 1 of each year, beginning November 1, 2008. The conversion rate and accordingly the number of shares issuable were adjusted as a result of the NovaCopper Inc. ("NovaCopper") spin-out which reduced the conversion rate from \$10.61 to \$9.656 per common share. On conversion, at the Company's election, holders of the Notes will receive cash, if applicable, or a combination of cash and shares.

On May 2, 2013, the Company purchased \$72,821 of the principal amount of its Notes, pursuant to the terms and indenture governing the Notes which provided Holders the opportunity to require the Company to purchase for cash all or a portion of their Notes (the "Put Option") on May 1, 2013. On September 16, 2013, the Company accepted Holders' offers to purchase another \$6,350 of the principal amount of the Notes. Following the Company's purchases of the Notes, \$15,829 of the principal amount of the Notes remain outstanding and due on May 1, 2015 and 1,639,370 common shares remain issuable upon conversion. Additional common shares may become issuable following the occurrence of certain corporate acts or events. The terms and other provisions of the indenture governing the Notes remain unchanged.

As the conversion price of the Notes is denominated in U.S. dollars, a currency different from the functional currency of the Company, an embedded derivative is recognized as a liability. The embedded derivative is recorded at fair value and re-measured each period with the movement being recorded as a gain or loss in net income (loss). The Notes are classified as a liability, less the portion relating to the embedded derivative feature. As a result, the recorded liability to repay the Notes is lower than its face value. Using the effective interest rate method and the 17.3% rate implicit in the calculation, the remaining difference of \$3,700, characterized as the Note discount, is being charged to interest expense and accreted to the liability over the term of the Notes.

The Notes included two embedded derivatives which were recorded on the balance sheets at fair value. Prior to May 1, 2013, the embedded derivative was measured with regard to both the Put Option and the conversion feature. Subsequent to this date, the measurement of the embedded derivative is based solely on the conversion feature.

Changes in the carrying values of the Notes are summarized as follows:

	Years ended November 30,		
	2014	2013	2012
Balance – beginning of period	\$ 13,570	\$ 73,606	\$ 66,966
Repurchases of Notes	—	(65,137)	—
Accretion expense	1,542	5,101	6,640
Balance – end of period	\$ 15,112	\$ 13,570	\$ 73,606

The following table provides the net amounts recognized in the Consolidated Balance Sheets related to the Notes:

	At November 30,	
	2014	2013
Principal amount	\$ 15,829	\$ 15,829
Unamortized debt discount	(717)	(2,259)
	15,112	13,570
Embedded derivative	—	83
Net carrying amount	\$ 15,112	\$ 13,653

### Promissory note

As part of the agreement that led to the formation of Donlin Gold LLC, the Company agreed to reimburse Barrick for a portion of their expenditures incurred from April 1, 2006 to November 30, 2007 out of the Company's share of future mine production cash flow. The Company has a promissory note payable to Barrick for \$51,600, plus interest at a rate of U.S. prime plus 2%, amounting to \$24,553 in accrued interest since the inception of the promissory note.

## NOTE 8 – DERIVATIVE LIABILITIES

### Convertible notes – Embedded derivative

The conversion price of the Notes is denominated in U.S. dollars, a currency different from the functional currency of the parent Company. Therefore, an embedded derivative liability is recorded at fair value and re-measured each period with the movement being recorded as a gain or loss in Net income (loss). Pursuant to the terms and indenture governing the Notes, holders had the opportunity to require the Company to purchase for cash all or a portion of their Notes (the "Put Option") on May 1, 2013. The fair value of the embedded derivative prior to the expiry of the Put Option was composed of the conversion feature of the Note and the Put Option. The conversion feature on the remaining Notes is valued using the Black-Scholes pricing model and is considered a Level 3 financial instrument in the fair value hierarchy as the valuation model has significant unobservable inputs. The fair value of the embedded derivative at November 30, 2014 was nominal.

	Years ended November 30,		
	2014	2013	2012
Balance – beginning of period	\$ 83	\$ 17,934	\$ 57,493
Repurchases of Notes	—	(14,034)	—
Gain on embedded derivative liability	(83)	(3,817)	(39,559)
Balance – end of period	\$ —	\$ 83	\$ 17,934

## Warrants – Derivative

Warrants were issued with an exercise price denominated in U.S. dollars, a currency different from the functional currency of the parent Company. Therefore, the warrants were classified as a derivative liability based on the evaluation of the warrants' settlement provisions, and carried at their fair value. Any changes in the fair value from period to period have been recorded as a gain or loss in net income (loss).

In the first quarter of 2013, the remaining warrants were exercised and the Company realized a loss on derivative liability of \$2,461 for the year ended November 30, 2013.

	Years ended November 30,		
	2014	2013	2012
Balance – beginning of period	\$ —	\$ 15,276	\$ 51,963
Loss (gain) on derivative liability	—	2,461	(36,687)
Conversion of warrants to equity	—	(17,737)	—
Balance – end of period	\$ —	\$ —	\$ 15,276

## NOTE 9 – FAIR VALUE ACCOUNTING

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the significance of the inputs used in making the measurement. The three levels of the fair value hierarchy are as follows:

*Level 1* – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

*Level 2* – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

*Level 3* – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

	Fair value at November 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	\$ 901	\$ 901	\$ —	\$ —
Liabilities:				
Embedded derivative liabilities	—	—	—	—
	Fair value at November 30, 2013			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	\$ 1,280	\$ 1,280	\$ —	\$ —
Liabilities:				
Embedded derivative liabilities	83	—	—	83

The Company's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

The embedded derivative is valued using a Black-Scholes pricing model and is considered a Level 3 financial instrument in the fair value hierarchy because the value models have significant unobservable inputs.

## NOTE 10 – INCOME TAXES

The Company's Income tax expense (recovery) consisted of:

	Years ended November 30,		
	2014	2013	2012
Current:			
Canada	\$ —	\$ —	\$ —
Foreign	189	290	—
	189	290	—
Deferred:			
Canada	74	3,606	(7,748)
Foreign	—	—	—
	74	3,606	(7,748)
Income tax expense (recovery)	\$ 263	\$ 3,896	\$ (7,748)

The Company's Loss before income tax consisted of:

	Years ended November 30,		
	2014	2013	2012
Canada	\$ (20,372)	\$ (42,077)	\$ 6,528
Foreign	(19,849)	(16,787)	(21,862)
	\$ (40,221)	\$ (58,864)	\$ (15,334)

Effective January 1, 2012 the Canadian federal corporate tax rate decreased from 16.5% to 15%. Effective April 1, 2013 the British Columbia provincial corporate tax rate increased from 10% to 11%.

The Company's Income tax expense (recovery) differed from the amounts computed by applying the Canadian statutory corporate income tax rates for the following reasons:

	Years ended November 30,		
	2014	2013	2012
Loss before income taxes	\$ (40,221)	\$ (58,864)	\$ (15,334)
Combined federal and provincial statutory tax rate	26.00%	25.67%	25.13%
Income tax recovery based on statutory income tax rates	(10,457)	(15,110)	(3,853)
Increase (decrease) attributable to:			
(Non-deductible) taxable expenditures	3,339	2,913	(3,717)
Non-taxable unrealized gain (loss) on derivative financial instruments	—	615	(9,253)
Effect of different statutory tax rates on earnings of subsidiaries	(3,027)	(2,773)	(3,471)
Effect of statutory rate change	—	(1,916)	54
Effect of tax losses expired	1,424	—	—
Change in valuation allowance	9,357	20,248	13,271
Other	(373)	(81)	(779)
Income tax expense (recovery)	\$ 263	\$ 3,896	\$ (7,748)

Components of the Company's deferred income tax assets (liabilities) are as follows:

	At November 30,	
	2014	2013
Deferred tax income assets:		
Asset retirement obligation	\$ 257	\$ 354
Net operating loss carry forwards	214,594	215,346
Capital loss carry forwards	37,002	40,180
Mineral properties	19,524	20,278
Property and equipment	354	381
Investment in affiliates	42,343	40,200
Share issuance costs	1,327	2,168
Unpaid interest expense	4,458	5,947
Investment tax credit	3,429	3,553
Other	2,550	2,322
	325,838	330,729
Valuation allowances	(281,071)	(276,630)
	44,767	54,099
Deferred income tax liabilities:		
Convertible debt	—	(197)
Investment in affiliates	(42,176)	(51,601)
Mineral properties	(13,208)	(14,224)
Capitalized assets & other	(1,102)	(719)
Unrealized gain on investments	(5)	(19)
Investment tax credit	(882)	(914)
	(57,373)	(67,674)
Net deferred income tax liabilities	\$ (12,606)	\$ (13,575)
Net deferred income tax asset, as presented in the balance sheet	\$ 11,445	\$ 9,728
Net deferred income tax liability, as presented in the balance sheet	\$ (24,051)	\$ (23,303)

Net operating losses available to offset future taxable income are as follows:

Year of Expiry	U.S.	Canada
2015	\$ —	\$ 16,435
2024	1,032	—
2025	1,246	—
2026	13,382	28,594
2027	18,493	4,593
2028	85	606
2029	11,223	14,284
2030	10,916	20,551
2031	16,580	19,281
2032	306,333	33,780
2033	14,671	24,638
2034	16,203	17,359
	\$ 410,164	\$ 180,121

Future use of U.S. loss carry-forwards is subject to certain limitations under provisions of the Internal Revenue Code including limitations subject to Section 382, which relates to a 50% change in control over a three-year period, and are further dependent upon the Company attaining profitable operations. Ownership changes occurred on January 22, 2009 and on December 31, 2012 and the U.S. tax losses related to NOVAGOLD Resources Alaska Inc. and its investment in Donlin Creek LLC for the prior three year periods prior to the change in control may be subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited or may expire un-utilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

#### Uncertain Tax Position

There were no unrecognized tax benefits at November 30, 2014, 2013 and 2012. The Company recognizes any interest and penalties related to uncertain tax positions, if any, as interest expense. At November 30, 2014, 2013 and 2012, there were no interest and penalties related to uncertain tax positions. The Company is subject to income taxes in Canada and the United States. The Company is currently under audit by the Canada Revenue Agency regarding transactions undertaken by one of the Company's Canadian entities. The Company is currently not under audit by any other taxing jurisdiction. With few exceptions, the tax years that remain subject to examination as of November 30, 2014 are 2008 to 2014 in Canada and 1998 to 2014 in the United States.

The Company has recognized \$11,445 (2013: \$9,728, 2012: \$15,679) of deferred tax assets that are dependent on the reversal of existing taxable temporary differences. In addition, the Company has suffered a loss in the current and prior period in the tax jurisdictions to which the deferred tax assets relate. The Company has undertaken a tax planning strategy in the current and prior period to merge their Canadian entities when required to access the deferred tax assets to offset future increases in taxable income of their Canadian entities.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax asset. Significant pieces of objective negative evidence evaluated included the cumulative loss incurred as at November 30, 2014 and the decline in metal prices. Such objective evidence limits the ability to consider other subjective evidence such as managements' projections for future growth. On the basis of this evaluation, as of November 30, 2014, a valuation allowance of \$281,071 (2013: \$276,630, 2012: \$260,492) inclusive of valuation allowance for investment tax credits has been recorded in order to measure only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable; however, could be adjusted if estimates of future taxable income during the carry forward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as management's projections for growth.

#### NOTE 11 – GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended November 30,		
	2014	2013	2012
Salaries	\$ 6,022	\$ 6,067	\$ 9,658
Share-based compensation (note 15)	10,197	12,304	19,862
Office expense	2,626	4,462	4,891
Professional fees	1,806	2,889	3,871
Corporate development	1,395	1,269	863
	<u>\$ 22,046</u>	<u>\$ 26,991</u>	<u>\$ 39,145</u>

#### NOTE 12 – WRITE-DOWN OF ASSETS

In 2013, the Company recorded write-downs at its San Roque Project in Argentina including \$514 related to mineral property and \$262 for other assets.

#### NOTE 13 – CHANGE IN OPERATING ASSETS AND LIABILITIES

	Years ended November 30,		
	2014	2013	2012
Decrease (increase) in receivables and other assets	\$ 3,319	\$ (89)	\$ (12,339)
Increase (decrease) in accounts payable and accrued liabilities	56	(1,231)	11,938
Decrease in reclamation and remediation liabilities	(202)	(268)	—
	<u>\$ 3,173</u>	<u>\$ (1,588)</u>	<u>\$ (401)</u>

#### NOTE 14 – DISCONTINUED OPERATIONS

On April 30, 2012, the Company completed a plan of arrangement under the Nova Scotia Companies Act pursuant to which it spun-out NovaCopper, a wholly-owned subsidiary of the Company which held the Ambler assets in Alaska, to the Company's shareholders (the "Arrangement"). Under the Arrangement, each shareholder of the Company received one share of NovaCopper for every six common shares held of the Company. The Company did not realize any gain or loss on the transfer of the Ambler assets including \$40,200 of working capital and the Upper Kobuk Mineral Project.

On November 1, 2012, the Company completed the sale of its wholly owned subsidiary, Alaska Gold Company (AGC), which owned the Rock Creek Project and other assets in and around Nome, Alaska to Bering Straits Native Corporation (BSNC) for \$5,965. The Company received \$1,000 cash and a \$4,965 (face value) note receivable bearing 3% interest payable over five years. The Company also transferred the remaining Rock Creek closure reclamation deposit of \$13,400 to BSNC, which assumed full responsibility and liability for the remainder of the Rock Creek reclamation activities as requested by the State of Alaska.

The Company has accounted for the financial results associated with the spin-out of NovaCopper and the Ambler assets and the former operations of AGC and the Rock Creek Project as discontinued operations in these consolidated financial statements and has reclassified the related amounts for prior years.

The following tables illustrate the results related to discontinued operations for the year ended November 30, 2012.

Revenues	\$	1,914
Operating expenses:		
Cost of sales		194
Depreciation		228
Exploration and evaluation		1,425
General and administrative		3,647
Care and maintenance		5,498
Reclamation and remediation		1,456
		<u>12,448</u>
Loss from operations		(10,534)
Gain on sale of assets		5,351
Other income		940
Loss from discontinued operations	\$	<u>(4,243)</u>
Net cash used in discontinued operations:		
Loss from discontinued operations	\$	(4,243)
Items not affecting cash:		
Depreciation		228
Reclamation and remediation		1,456
Gain on sale of assets		(5,351)
Net change in operating assets and liabilities		(10,742)
Increase in reclamation bond		(6,836)
	\$	<u>(25,488)</u>
Net cash provided from (used in) investing activities of discontinued operations:		
Proceeds from sale of assets	\$	1,045
Additions to property, plant and equipment		(561)
	\$	<u>484</u>
Net cash used in financing activities of discontinued operations:		
Funding of NovaCopper spin-out	\$	<u>(40,000)</u>

#### NOTE 15 – SHARE-BASED COMPENSATION

Share incentive awards include a stock option plan for directors, executives and eligible employees, a Performance Share Unit (PSU) plan for executives and eligible employees and a Deferred Stock Unit (DSU) plan for directors of the Company. Options granted to purchase common shares have exercise prices not less than fair market value of the underlying share at the date of grant. At November 30, 2014, 17.7 million common shares were available for future share incentive plan awards.

The Company recognized share-based compensation as follows:

	Years ended November 30,		
	2014	2013	2012
Stock options	\$ 6,062	\$ 8,135	\$ 14,240
Performance share unit plan	3,944	3,935	2,660
Deferred share unit plan	191	234	193
Incentive shares	—	—	2,769
	<u>\$ 10,197</u>	<u>\$ 12,304</u>	<u>\$ 19,862</u>

At November 30, 2014, the non-vested stock option and PSU expense not recognized was \$3,877 (2013: \$2,854) to be recognized over the next two years.

#### Stock Options

Stock options granted under the Company's share-based incentive plans vest over periods of two years are exercisable over a period of time not to exceed five years from the grant date. The value of each option award is estimated at the grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option award and share price volatility. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination experience. Expected volatility is based on the historical volatility of the Company's shares at the grant date. These estimates involve inherent uncertainties and the application of management's judgment. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those options expected to vest. As a result, if other assumptions had been used, our recorded share-based compensation expense would have been different from that reported. The Black-Scholes option pricing model used the following weighted-average assumptions:

	Years ended November 30,					
	2014		2013		2012	
Weighted average share price	C\$	2.90	C\$	4.40	C\$	8.68
Average risk-free interest rate		1.18%		1.07%		0.99% – 1.53%
Exercise price	C\$	2.90	C\$	4.40	C\$	8.68
Expected life (years)		3		3		2.5 – 3.5
Expected volatility		60%		56%		55% – 66%
Expected dividends		Nil		Nil		Nil

The following table summarizes annual activity for all stock options for each of the three years ended November 30:

	2014		2013		2012	
	Number of shares (thousands)	Weighted average exercise price	Number of shares (thousands)	Weighted average exercise price	Number of shares (thousands)	Weighted average exercise price
Outstanding at beginning of year	15,223	C\$ 6.54	13,903	C\$ 7.08	10,849	C\$ 7.06
Granted	6,109	C\$ 2.90	3,218	C\$ 4.40	4,613	C\$ 8.68
Exercised	(1,285)	C\$ 2.24	(121)	C\$ 2.23	(1,027)	C\$ 3.13
Forfeited and expired	(4,828)	C\$ 6.45	(1,777)	C\$ 7.22	(532)	C\$ 10.86
Outstanding at end of year	15,219	C\$ 5.47	15,223	C\$ 6.54	13,903	C\$ 7.08

The weighted-average fair value per share of options granted during the year was C\$1.18 in 2014, C\$4.40 in 2013 and C\$8.68 in 2012.

At November 30, 2014, there were 3,575,000 (2013: 2,507,000) non-vested options outstanding with a weighted average exercise price of C\$3.15 (2013: C\$5.92). During the year ended November 30, 2014, 4,636,000 (2013: 3,385,000) options vested.

The following table summarizes information about stock options outstanding and exercisable at November 30, 2014:

Range of price	Stock options – issued and outstanding			Stock options – exercisable		
	Number of outstanding options (thousands)	Weighted average years to expiry	Weighted average exercise price	Number of exercisable options (thousands)	Weighted average exercise price	
C\$2.23 to C\$3.99	6,072	4.10	C\$ 2.90	3,084	C\$ 2.90	
C\$4.00 to C\$5.99	4,935	2.58	C\$ 4.75	4,348	C\$ 4.79	
C\$6.00 to C\$7.99	900	2.24	C\$ 6.34	900	C\$ 6.34	
C\$8.00 to C\$9.99	410	0.13	C\$ 8.07	410	C\$ 8.07	
C\$10.00 to C\$11.99	1,735	1.96	C\$ 10.24	1,735	C\$ 10.24	
C\$12.00 to C\$13.99	1,067	1.10	C\$ 13.09	1,067	C\$ 13.09	
C\$14.00 to C\$15.04	100	2.50	C\$ 14.82	100	C\$ 14.82	
	15,219	2.93	C\$ 5.47	11,644	C\$ 6.18	

#### Performance share units

The Company has a PSU plan that provides for the issuance of PSUs in amounts as approved by the Company's Compensation Committee. Each PSU entitles the participant to receive a common share of the Company at the end of a specified period. The Compensation Committee may adjust the number of common shares for the achievement of certain performance and vesting criteria. The actual performance against each of these criteria generates a multiplier that varies from 0% to 150%. Thus, the common shares that may be issued vary between 0% and 150% of the number of PSUs granted, as reduced by the amounts for participants no longer with the Company on vesting date.

The following table summarizes annual information about the number of PSUs outstanding:

	Years ended November 30,		
	2014	2013	2012
Outstanding at beginning of year	1,268,450	805,300	347,350
Granted	1,819,700	706,150	584,800
Vested	(546,380)	(167,735)	(154,746)
Performance adjustment	(96,420)	(72,765)	38,396
Forfeited	(23,200)	(2,500)	(10,500)
Outstanding at end of year	2,422,150	1,268,450	805,300

The PSUs outstanding at November 30, 2014 are scheduled to vest over the next two years.

For the year ended November 30, 2014, the Company recognized a share-based compensation charge against income of \$3,949 (2013: \$3,935; 2012: \$2,660) for PSUs. Under the PSU plan, the Company issued 329,645 common shares in 2014 (2013: 96,467; 2012: 86,949). The difference between the PSUs vested and the common shares issued were settled in cash to cover employee withholding taxes. The Company also issued 81,310 common shares to the Company's former COO in December 2012 plan for severance.

#### Deferred share units

The Company has a DSU plan that provides for the issuance of DSUs in amounts where the Directors receive half of their annual retainer in DSUs and have



the option to elect to receive all or a portion of the other half of their annual retainer in DSUs. Each DSU entitles the Directors to receive one common share when they retire from the Company.

For the year ended November 30, 2014, the Company recognized a share-based payment charge against income of \$191 (2013: \$234; 2012: \$193) for the DSUs granted to Directors during the year. Under the DSU plan, the Company issued 0 common shares in 2014, 7,750 common shares in 2013 and 4,261 common shares in 2012. The common shares were issued at the date of the DSU vesting and the valuation was deemed to be the opening TSX common share price of the vesting date.

#### Incentive shares

The Company recognized share-based payment charge against income of \$2,769 in 2012 for incentive shares issued to new employees. In 2012, the Company issued 224,740 common shares and paid \$1,152 for employee withholding taxes. The common shares were issued at the date of the new executive officers' employment agreements and the valuation was deemed to be the opening TSX common share price on the date of issuance.

### NOTE 16 – SHARE CAPITAL

#### Common shares

The Company is authorized to issue 1,000,000,000 common shares without par value, of which 317,288,000 were issued and outstanding as of November 30, 2014 and 316,661,000 were issued and outstanding as of November 30, 2013.

#### Preferred shares

Pursuant to the Company's Notice of Articles filed pursuant to the Business Corporations Act (British Columbia), the Company is authorized to issue 10,000,000 preferred shares without par value. The authorized but unissued preferred shares may be issued in designated series from time to time by one or more resolutions adopted by the Directors. The Directors have the authority to determine the preferences, limitations and relative rights of each series of preferred shares. At November 30, 2014 and 2013, no preferred shares were issued or outstanding.

### NOTE 17 – WARRANTS

	Years ended November 30,					
	2014		2013		2012	
	Number of warrants (thousands)	Weighted average exercise price	Number of warrants (thousands)	Weighted average exercise price	Number of warrants (thousands)	Weighted average exercise price
Balance – beginning of year	—	n/a	36,529	\$ 1.48	40,420	\$ 1.49
Exercised	—	n/a	(36,529)	\$ 1.48	(3,891)	\$ 1.48
Balance – end of year	—	—	—	—	36,529	\$ 1.48

Share purchase warrants were exercised for total proceeds of \$54,359 in 2013 and \$5,743 in 2012. At November 30, 2014 and 2013 there were no share purchase warrants outstanding.

### NOTE 18 – RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME

	Unrealized gain (loss) on marketable securities, net	Foreign currency translation adjustments	Total
November 30, 2013	\$ 184	\$ 64,320	\$ 64,504
Change in other comprehensive income (loss) before reclassifications	(288)	(29,371)	(29,659)
Reclassifications from accumulated other comprehensive income (loss)	—	—	—
Net current-period other comprehensive income (loss)	(288)	(29,371)	(29,659)
November 30, 2014	\$ (104)	\$ 34,949	\$ 34,845

Details about accumulated other comprehensive income (loss) components:	Amount reclassified from accumulated other comprehensive income (loss)		
	2014	2013	2012
Marketable securities adjustments			
Impairment of marketable securities <sup>(1)</sup>	\$ —	\$ 2,738	\$ —
Tax benefit (expense)	—	—	—
Net of tax	\$ —	\$ 2,738	\$ —

(1) This accumulated other comprehensive income (loss) component is included in Write-down of investments in the Consolidated Statements of Loss.

### NOTE 19 – RELATED PARTY TRANSACTIONS

The Company provided exploration and management services to Donlin Gold LLC for \$235 in 2014, \$258 in 2013 and \$236 in 2012; office rental and services to Galore Creek Partnership for \$437 in 2014, \$423 in 2013 and \$796 in 2012; and management and office administration services to NovaCopper for \$nil in 2014, \$168 in 2013 and \$83 in 2012.

As of November 30, 2014, the Company has accounts receivable from Donlin Gold LLC of \$nil (2013: \$1,750) and from Galore Creek Partnership of \$335 (2013: \$394) included in other current assets and a receivable of \$3,836 (2013: \$4,132) from Galore Creek Partnership included in other long-term assets.

## NOTE 20 – COMMITMENTS AND CONTINGENCIES

**General**  
The Company follows ASC guidance in determining its accruals and disclosures with respect to loss contingencies. Accordingly, estimated losses from loss contingencies are accrued by a charge to income when information available prior to issuance of the financial statements indicates that it is probable that a liability could be incurred and the amount of the loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the financial statements when it is at least reasonably possible that a material loss could be incurred.

### Obligations under operating leases

The Company leases certain assets, such as office equipment and office facilities, under operating leases expiring at various dates through 2017. Future minimum annual lease payments are \$427 in 2015, \$387 in 2016, \$326 in 2017, totaling \$1,175.

## NOTE 21 – SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended November 30,					
	2014		2013		2012	
Interest received	\$	643	\$	630	\$	588
Interest paid	\$	870	\$	3,164	\$	5,180
Income taxes paid	\$	432	\$	—	\$	
Non-cash investing activities						
Note receivable from BSNC from sale of AGC (note14)	\$	—	\$	—	\$	4,965

## NOTE 22 – UNAUDITED SUPPLEMENTARY DATA

### Quarterly data

The following is a summary of selected quarterly financial information (unaudited):

	2014							
	Q1		Q2		Q3		Q4	
Operating loss	\$	(11,333)	\$	(8,264)	\$	(10,755)	\$	(7,656)
Net loss	\$	(10,741)	\$	(10,637)	\$	(12,008)	\$	(7,098)
Loss per common share, basic and diluted	\$	(0.03)	\$	(0.03)	\$	(0.04)	\$	(0.02)
	2013							
	Q1		Q2		Q3		Q4	
Operating loss	\$	(14,509)	\$	(12,225)	\$	(15,871)	\$	(13,171)
Net loss	\$	(13,776)	\$	(9,833)	\$	(19,962)	\$	(19,189)
Loss per common share, basic and diluted	\$	(0.05)	\$	(0.03)	\$	(0.06)	\$	(0.06)

Significant after-tax items were as follows:

- Fourth quarter 2014: n/a
- Third quarter 2014: n/a
- Second quarter 2014: n/a
- First quarter 2014: (i) Foreign exchange gain \$2,449 (\$0.01 per share, basic and diluted).
- Fourth quarter 2013: (i) Income tax expense \$3,896 (\$0.01 per share, basic and diluted)
- Third quarter 2013: (i) Write-down of marketable securities \$2,645 (\$0.01 per share, basic and diluted).
- Second quarter 2013: (i) Gain on derivative liabilities \$3,667 (\$0.01 per share, basic and diluted).
- First quarter 2013: (i) Loss on derivative liabilities \$3,276 (\$0.01 per share, basic and diluted); (ii) gain from discontinued operations \$4,917 (\$0.02 per share, basic and diluted).

### **Annual General Meeting**

Thursday, May 14, 2015 – 3 p.m. (PT)

The Metropolitan Hotel

Connaught Room, second floor

645 Howe Street, Vancouver, BC V6C 2Y9

**NOVAGOLD** | SOLID.  
SECURE.  
GOLDEN.

### **Investor Inquiries**

T: 604 669 6227 or 1 866 669 6227

[info@novagold.com](mailto:info@novagold.com)

[novagold.com](http://novagold.com)

[facebook.com/novagold](https://www.facebook.com/novagold)

[twitter.com/novagold](https://twitter.com/novagold)

### **Corporate Office**

789 West Pender Street, Suite 720

Vancouver, BC V6C1H2

T: 604 669 6227

Toll free: 1 866 669 6227

F: 604 669 6272

[info@novagold.com](mailto:info@novagold.com)

### **Salt Lake City Executive Office**

201 South Main Street, Suite 400

Salt Lake City, UT 84111

T: 801 639 0511

F: 801 649 0509



**NOVAGOLD** | SOLID.  
SECURE.  
GOLDEN.

[novagold.com](http://novagold.com)