

**NOVAGOLD RESOURCES INC.**

**ANNUAL INFORMATION FORM**

**FOR THE YEAR ENDED NOVEMBER 30, 2012**

**February 12, 2013**

**NOVAGOLD RESOURCES INC.**  
**(the “Company”)**

**ANNUAL INFORMATION FORM**

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## **Preliminary Notes**

### ***Cautionary Statement Regarding Forward-Looking Information***

This Annual Information Form for NOVAGOLD Resources Inc. (“NOVAGOLD” or “the Company”) contains statements of forward-looking information. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including the Company’s plans and expectations relating to its Donlin Gold and Galore Creek projects, completion of transactions, market prices for precious and base metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute “forward-looking statements” to the extent that they involve estimates of the mineralization that will be encountered if the property is developed.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- our ability to achieve production at any of the Company’s mineral exploration and development properties;
- estimated capital costs, operating costs, production and economic returns;
- estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying the Company’s resource and reserve estimates;
- our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;
- assumptions that all necessary permits and governmental approvals will be obtained;
- assumptions made in the interpretation of drill results, the geology, grade and continuity of the Company’s mineral deposits;
- our expectations regarding demand for equipment, skilled labor and services needed for exploration and development of mineral properties;
- risks related to opposition to the Company’s operations at its mineral exploration and development properties from non-governmental organizations or civil society; and
- our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- uncertainty of whether there will ever be production at the Company’s mineral exploration and development properties;
- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- uncertainties relating to the assumptions underlying the Company’s resource and reserve estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;
- risks related to the Company’s ability to commence production and generate material revenues or obtain adequate financing for its planned exploration and development activities;
- risks related to the Company’s ability to finance the development of its mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;

- risks related to the third parties on which the Company depends for its exploration and development activities;
- dependence on cooperation of joint venture partners in exploration and development of properties;
- credit, liquidity, interest rate and currency risks;
- risks related to market events and general economic conditions;
- uncertainty related to inferred mineral resources;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;
- risks related to lack of infrastructure;
- mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with or interruptions in development, construction or production;
- the risk that permits and governmental approvals necessary to develop and operate mines on the Company's properties will not be available on a timely basis or at all;
- commodity price fluctuations;
- risks related to governmental regulation and permits, including environmental regulation;
- risks related to the need for reclamation activities on the Company's properties and uncertainty of cost estimates related thereto;
- uncertainty related to title to the Company's mineral properties;
- uncertainty related to unsettled aboriginal rights and title in British Columbia;
- the Company's history of losses and expectation of future losses;
- uncertainty as to the outcome of potential litigation;
- uncertainty inherent in litigation including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal;
- risks related to default under the Company's unsecured convertible notes;
- risks related to the Company's majority shareholder;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- increased competition in the mining industry;
- the Company's need to attract and retain qualified management and technical personnel;
- risks related to the Company's current practice of not using hedging arrangements;
- uncertainty as to the Company's ability to acquire additional commercially mineable mineral rights;
- risks related to the integration of potential new acquisitions into the Company's existing operations;
- risks related to unknown liabilities in connection with acquisitions;
- risks related to conflicts of interests of some of the directors of the Company;
- risks related to global climate change;
- risks related to opposition to the Company's operations at its mineral exploration and development properties from non-governmental organizations or civil society;
- uncertainty as to the Company's ability to maintain the adequacy of internal control over financial reporting as per the requirements of the Sarbanes-Oxley Act;
- increased regulatory compliance costs relating to the Dodd-Frank Act; and
- increased regulatory compliance costs related to the Company's anticipated loss of its foreign private issuer status.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this Annual Information Form under the heading "Risk Factors" and elsewhere.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking

statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

### ***Cautionary Note to U.S. Investors – Information Concerning Preparation of Resource and Reserve Estimates***

This Annual Information Form has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Unless otherwise indicated, all mineral resource and mineral reserve estimates included in this Annual Information Form have been prepared in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101") and the Canadian Institute of Mining and Metallurgy Definition Standards for Mineral Resources and Mineral Reserves. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects.

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC"), and mineral resource and mineral reserve information contained herein may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term "resource" does not equate to the term "reserves". Under U.S. 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. The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards in documents filed with the SEC. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with U.S. standards.

### ***Glossary and Defined Terms***

The following is a glossary of certain mining terms used in this Annual Information Form.

<b>aggregate</b>	Any of several hard, inert materials, such as sand, gravel, slag or crushed stone, mixed with a cement or bituminous material to form concrete, mortar or plaster, or used alone, as in railroad ballast or graded fill.
<b>alluvial</b>	A placer formed by the action of running water, as in a stream channel or alluvial fan; also said of the valuable mineral (e.g. gold or diamond) associated with an alluvial placer.
<b>arsenopyrite</b>	The common arsenic mineral and principal ore of arsenic; occurs in many sulfide ore deposits, particularly those containing lead, silver and gold.
<b>alteration</b>	Refers to the process of hydrothermal fluids (hot water) changing primary rock minerals (such as quartz, feldspar and hornblende) to secondary minerals (quartz, carbonate and clay minerals).
<b>breccia</b>	A rock in which angular fragments are surrounded by a mass of fine-grained minerals.
<b>CIM</b>	Canadian Institute of Mining, Metallurgy and Petroleum.
<b>contained ounces</b>	Represents ounces in the ground before reduction of ounces not able to be recovered by the applicable metallurgical process.

<b>dike</b>	A tabular igneous intrusion that cuts across the bedding or foliation of the country rock.
<b>g/t</b>	Grams per metric tonne.
<b>illite</b>	A group of three-layer mica-like clays.
<b>mafic</b>	Igneous rocks composed mostly of dark, iron- and magnesium-rich minerals.
<b>masl</b>	Meters above sea level.
<b>mineral resource, measured mineral resource, indicated mineral resource, inferred mineral resource</b>	Under CIM Definition Standards, a mineral resource is a concentration or occurrence of natural solid inorganic material or natural solid fossilized organic material, including base and precious metals, coal, and industrial minerals in or on the earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

The terms "mineral resource", "measured mineral resource", "indicated mineral resource", and "inferred mineral resource" used in this Annual Information Form are mining terms defined under CIM Definition Standards and used in accordance with NI 43-101. They are not defined terms under U.S. standards and generally may not be used in documents filed with the SEC by U.S. companies. See "Cautionary Note to U.S. Investors – Information Concerning Preparation of Resource and Reserve Estimates".

A mineral resource estimate is based on information on the geology of the deposit and the continuity of mineralization. Assumptions concerning economic and operating parameters, including cut-off grades and economic mining widths, based on factors typical for the type of deposit, may be used if these factors have not been specifically established for the deposit at the time of the mineral resource estimate. A mineral resource is categorized on the basis of the degree of confidence in the estimate of quantity and grade or quality of the deposit, as follows:

**Inferred mineral resource:** Under CIM Definition Standards, an inferred mineral resource is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

**Indicated mineral resource:** Under CIM Definition Standards, an indicated mineral resource is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

**Measured mineral resource:** Under CIM Definition Standards, a measured mineral resource is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

**mineral reserve,  
proven mineral  
reserve, probable  
mineral reserve**

Under CIM Definition Standards, a mineral reserve is the economically mineable part of a measured or indicated mineral resource demonstrated by a preliminary feasibility study or feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” used in this Annual Information Form are mining terms defined under CIM Definition Standards and used in accordance with NI 43-101. Mineral reserves, proven mineral reserves and probable mineral reserves presented under CIM Definition Standards may not conform with the definitions of “reserves”, “proven reserves” or “probable reserves” under U.S. standards. See “Cautionary Note to U.S. Investors – Information Concerning Preparation of Resource and Reserve Estimates”.

Mineral reserves under CIM Definition Standards are those parts of mineral resources which, after the application of all mining factors, result in an estimated tonnage and grade which, in the opinion of the Qualified Person(s) (as defined in NI 43-101) making the estimates, is the basis of an economically viable project after taking account of all relevant processing, metallurgical, economic, marketing, legal, environment, socio-economic and governmental factors. Mineral reserves are inclusive of diluting material that will be mined in conjunction with the mineral reserves and delivered to the treatment plant or equivalent facility. The term “mineral reserve” need not necessarily signify that extraction facilities are in place or operative or that all governmental approvals have been received. It does signify that there are reasonable expectations of such approvals.

Under CIM Definition Standards, mineral reserves are subdivided in order of increasing confidence into probable mineral reserves and proven mineral reserves. A probable mineral reserve has a lower level of confidence than a proven mineral reserve.

Proven mineral reserve: A proven mineral reserve is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that the economic extraction can be justified.

Probable mineral reserve: A probable mineral reserve is the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that the economic extraction can be justified.

**mineralization**

An anomalous occurrence of metal or other commodity of value defined by any method of sampling (surface outcrops, drill core, underground channels). Under SEC standards, such a deposit does not qualify as a reserve until comprehensive evaluation, based on unit cost, grade, recoveries and other factors, concludes that the mineralization could be legally and economically produced or extracted at the time the reserve determination is made.

**net present value  
 (“NPV”)**

The sum of the value on a given date of a series of future cash payments and receipts, discounted to reflect the time value of money and other factors such as investment risk.

**ore**

Rock containing metallic or non-metallic materials that can be mined and processed at a profit.

**patent**

The ultimate stage of holding a mineral claim, after which no more assessment work is necessary; determines that all mineral rights, both surface and underground, have been earned.

**placer**

An alluvial deposit of sand and gravel, which may contain valuable metals.

**pyrite**

An iron sulfide mineral ( $\text{FeS}_2$ ), the most common naturally occurring sulfide mineral.

<b>reverse circulation (“RC”)</b>	A type of drilling using dual-walled drill pipe in which the material drilled, water and mud are circulated up the center pipe while air is blown down the outside pipe.
<b>schist</b>	A medium-to-course grained foliated metamorphic rock, the grains of which have a roughly parallel arrangement; generally developed by shearing.
<b>sill</b>	An intrusive sheet of igneous rock of roughly uniform thickness that has been forced between the bedding planes of existing rock.
<b>stockwork</b>	A three-dimensional network of closely spaced planar to irregular veinlets.
<b>strike</b>	The direction, or bearing from true north, of a vein or rock formation measured on a horizontal surface.
<b>sulfide</b>	A compound of sulfur and some other metallic element.
<b>tpd</b>	Metric tonnes per day.

### *Currency and Exchange Rates*

All dollar amounts in this Annual Information Form are expressed in Canadian dollars unless otherwise indicated. The noon rate of exchange as reported by the Bank of Canada for the conversion of Canadian dollars into U.S. dollars on February 11, 2013 was C\$1.0065 per US\$1.00 and on November 30, 2012 was C\$0.9932 per US\$1.00.

The following table sets forth (i) the rate of exchange for the Canadian dollar, expressed in U.S. dollars, in effect at the end of the fiscal years indicated; (ii) the average exchange rates for the Canadian dollar, on the last day of each month during such fiscal years; and (iii) the high and low exchange rates for the Canadian dollar, expressed in U.S. dollars, during such fiscal years, each based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into U.S. dollars:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Rate at end of period	1.0068	0.9807	0.9743
Average rate based on last day each month	0.9990	1.0155	0.9673
High for period	1.0299	1.0583	1.0039
Low for period	0.9599	0.9430	0.9278

### *Metric Equivalents*

The following table sets forth the factors for converting Imperial measurements into metric equivalents:

To convert from Imperial	To Metric	Multiply By
Acres	Hectares	0.404686
Feet	Meters	0.304800
Miles	Kilometers	1.609344
Tons	Tonnes	0.907185
Ounces (troy)/ton	Grams/Tonne	34.28570



**NOVAGOLD RESOURCES INC.  
ANNUAL INFORMATION FORM  
for its financial year ended November 30, 2012**

***CORPORATE STRUCTURE***

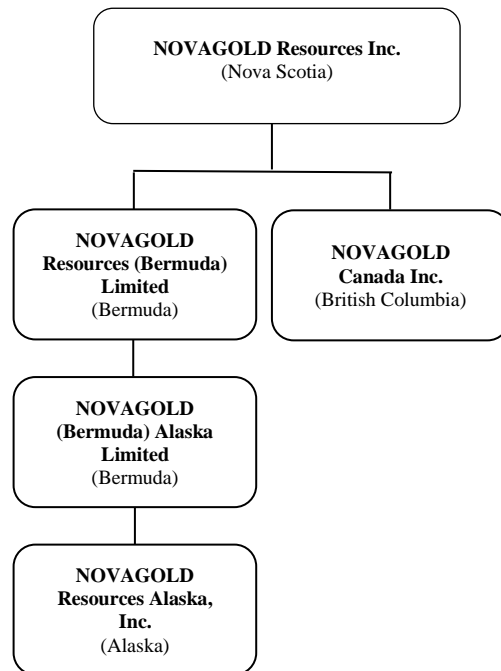
**Name, Address and Incorporation**

The Company was incorporated by memorandum of association on December 5, 1984, under the *Companies Act* (Nova Scotia) as 1562756 Nova Scotia Limited. On January 14, 1985, the Company changed its name to NovaCan Mining Resources (1985) Limited and on March 20, 1987, the Company changed its name to NOVAGOLD Resources Inc. The Company is in good standing under the laws of the Province of Nova Scotia. The registered office of the Company is located at Suite 1300 – 1969 Upper Water Street, Halifax, Nova Scotia, Canada, B3J 3R7. The Company’s principal office is located at Suite 2300, 200 Granville Street, Vancouver, BC, Canada, V6C 1S4.

**Intercorporate Relationships**

As at the end of its most recently completed financial year, the Company had the following material, direct and indirect, wholly-owned subsidiaries: NOVAGOLD Resources Alaska, Inc., NOVAGOLD (Bermuda) Alaska Limited and NOVAGOLD Resources (Bermuda) Limited and NOVAGOLD Canada Inc.

The following chart depicts the corporate structure of the Company together with the jurisdiction of incorporation of each of the Company’s material subsidiaries and related holding companies. All ownership is 100% unless otherwise indicated.



*All of the above companies are sometimes referred to collectively herein as the “Company” or “NOVAGOLD”.*

## ***GENERAL DEVELOPMENT OF THE BUSINESS***

### **Description of the Business**

NOVAGOLD is engaged in the exploration and development of mineral properties. NOVAGOLD is focused on advancing its flagship property, Donlin Gold. NOVAGOLD has the largest mineral reserve/resource bases among junior and mid-tier gold exploration companies. The Company is also committed to maximizing the value of its non-core assets, including its interest in the Galore Creek copper-gold-silver project, which the Company is currently exploring opportunities to sell, in whole or in part. NOVAGOLD has an established track record of expanding deposits through exploration and of forging collaborative partnerships, both with local communities and with major mining companies. The Donlin Gold project in Alaska, the world's largest known undeveloped gold deposit, is held by a limited liability company owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick Gold Corporation ("Barrick"). The Galore Creek project in British Columbia, a large copper-gold-silver deposit, is held by a partnership owned equally by wholly-owned subsidiaries of NOVAGOLD and Teck Resources Limited ("Teck"). NOVAGOLD also has other earlier-stage exploration properties. The Company's portfolio of properties includes:

- Donlin Gold, the world's largest known undeveloped gold deposit, is held by Donlin Gold LLC, a limited liability company that is owned 50% by NOVAGOLD Resources Alaska, Inc. and 50% by Barrick Gold U.S. Inc. On December 5, 2011, NOVAGOLD announced the completion of a Feasibility Study for Donlin Gold (the "Donlin Gold FS"). The Donlin Gold FS was compiled by AMEC Americas Limited ("AMEC") and revises the feasibility study completed in April 2009 ("2009 Feasibility Study") with updated mineral reserves and resources, capital costs and operating cost estimates. In July 2012, the Donlin Gold LLC Board of Directors, which is comprised of equal representation from NOVAGOLD and Barrick, approved the updated Donlin Gold FS. The Donlin Gold FS proposes the use of natural gas as the primary power source for the project, rather than the original diesel option. Donlin Gold is located in southwestern Alaska on private Alaskan native-owned lands designated for mining and Alaska state mining claims totaling 81,361 acres (32,926 hectares). The property has estimated proven and probable mineral reserves of 505 million tonnes grading 2.09 grams per tonne gold for 33.85 million ounces of gold. This represents an approximate 16% increase from the mineral reserve estimate outlined in the 2009 Feasibility Study and is broadly comparable to the March 2010 mineral reserve and resource update released by NOVAGOLD. The property hosts estimated measured and indicated mineral resources (inclusive of mineral reserves) of 541 million tonnes grading 2.24 grams per tonne gold for 39 million ounces of gold and inferred mineral resources of 92 million tonnes grading 2.02 grams per tonne gold for 6.0 million ounces of gold. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The Donlin Gold FS estimates the total capital cost estimate for Donlin Gold at US\$6.7 billion, including costs related to the natural gas pipeline and a contingency of US\$984 million representing 25% of the property, plant and equipment. The project's estimated after-tax net present value ( $NPV_{5\%}$ ) is US\$547 million using the Donlin Gold FS base case gold price of US\$1,200/oz, US\$4.58 billion using a gold price of US\$1,700/oz and US\$6.72 billion using a gold price of US\$2,000/oz. Donlin Gold, if put into production in accordance with the Donlin Gold FS, would average 1.46 million ounces of gold production in each year of its first five years of operation at an average cash cost of US\$409/oz and an average of 1.13 million ounces of gold per year over its projected 27 year mine life with an average cash cost of US\$585/oz. The project is expected to be a conventional truck and shovel open-pit operation. The mine life is estimated to be 27 years based on a nominal processing rate of 53,500 tonnes per day. NOVAGOLD believes that significant exploration potential remains in the Donlin Gold district, with prospects to increase mine life and/or justify future production expansions. Donlin Gold commenced project permitting in August 2012.
- Galore Creek, a large copper-gold-silver project located in northwestern British Columbia, is held by a partnership (the "Galore Creek Partnership") in which NOVAGOLD Canada Inc. and Teck Metals Ltd. each own a 50% interest. The Galore Creek Project is managed by Galore Creek Mining Corporation ("GCMC"). The 293,837 acre (118,912 hectare) property holds a large, porphyry-related copper-gold-silver deposit. The Pre-feasibility Study ("PFS") completed in July 2011 for the Galore Creek project estimates that the project has proven and probable mineral reserves of 528 million tonnes grading 0.58% copper, 0.32 grams per tonne gold and 6.02 grams per tonne silver for estimated contained metal of 6.8 billion pounds of copper, 5.45 million ounces of gold and 102.1 million ounces of silver. In addition, the property has

estimated measured and indicated mineral resources (exclusive of mineral reserves) of 286.7 million tonnes grading 0.33% copper, 0.27 grams per tonne gold and 3.64 grams per tonne silver, for estimated contained metal of 2.07 billion pounds of copper, 2.53 million ounces of gold and 33.54 million ounces of silver and estimated inferred mineral resources of 346.6 million tonnes grading 0.42% copper, 0.24 grams per tonne gold and 4.28 grams per tonne silver, for estimated contained metal of 3.23 billion pounds of copper, 2.70 million ounces of gold and 47.73 million ounces of silver. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The PFS total capital cost estimate for the Galore Creek project is \$5.2 billion dollars. The PFS estimated net present value (NPV<sub>7%</sub>), using the base case metal price assumptions (US\$2.65/lb copper, US\$1,100/oz gold and US\$18.50/oz silver with a foreign exchange rate of US\$0.91 = Cdn\$1.00), was \$837 million and \$137 million on a pre-tax and post-tax basis, respectively. The corresponding post-tax IRR of the project was estimated at 7.4%. NOVAGOLD announced on November 16, 2011, that it is exploring opportunities to sell all or a part of its interest in the Galore Creek Partnership. While the sale process is underway, the Company continues to work to enhance Galore Creek's value through exploration on a reduced budget.

NOVAGOLD also holds earlier-stage exploration projects that have not advanced to the resource definition stage. For the purposes of NI 43-101, NOVAGOLD's material properties are Donlin Gold and Galore Creek.

**RESERVES AND RESOURCES SUMMARY**  
At April 30, 2012

<b>Donlin Gold (NOVAGOLD 50%)</b>				
<b>GOLD</b>	<b>Tonnage Mt</b>	<b>Grade* g/t</b>	<b>Metal content Moz</b>	<b>NOVAGOLD share** Moz</b>
<b>Reserves (100%)<sup>1</sup></b>				
Proven	7.7	2.32	0.57	0.29
Probable	497.1	2.08	33.28	16.64
P&P	504.8	2.09	33.85	16.93
<b>Resources (100%)<sup>3</sup> inclusive of reserves</b>				
Measured	7.7	2.52	0.63	0.31
Indicated	533.6	2.24	38.38	19.19
M&I	541.3	2.24	39.01	19.50
Inferred	92.2	2.02	5.99	3.00
<b>Galore Creek (NOVAGOLD 50%)</b>				
<b>COPPER</b>	<b>Tonnage Mt</b>	<b>Grade* %Cu</b>	<b>Metal content Mlbs</b>	<b>NOVAGOLD share** Mlbs</b>
<b>Reserves (100%)<sup>2</sup></b>				
Proven	69.0	0.61	900.0	450.0
Probable	459.1	0.58	5,900.0	2,950.0
P&P	528.0	0.59	6,800.0	3,400.0
<b>Resources (100%)<sup>4</sup> inclusive of reserves</b>				
Measured	108.4	0.48	1,147.0	573.5
Indicated	706.3	0.50	7,786.0	3,893.0
M&I	814.7	0.50	8,933.0	4,466.5
Inferred	346.6	0.42	3,230.0	1,615.0
<b>GOLD</b>	<b>Mt</b>	<b>g/t</b>	<b>Moz</b>	<b>Moz</b>
<b>Reserves (100%)<sup>2</sup></b>				
Proven	69.0	0.52	1.15	0.58
Probable	459.1	0.29	4.30	2.15
P&P	528.0	0.32	5.45	2.73
<b>Resources (100%)<sup>4</sup> inclusive of reserves</b>				
Measured	108.4	0.48	1.70	0.85
Indicated	706.3	0.28	6.40	3.20
M&I	814.7	0.31	8.00	4.00
Inferred	346.6	0.24	2.70	1.35
<b>SILVER</b>	<b>Mt</b>	<b>g/t</b>	<b>Moz</b>	<b>Moz</b>
<b>Reserves (100%)<sup>2</sup></b>				
Proven	69.0	4.94	11.0	5.5
Probable	459.1	6.18	91.2	45.6
P&P	528.0	6.02	102.2	51.1
<b>Resources (100%)<sup>4</sup> inclusive of reserves</b>				
Measured	108.4	4.10	14.30	7.15
Indicated	706.3	5.38	122.10	61.05
M&I	814.7	5.21	136.40	68.20
Inferred	346.6	4.28	47.73	23.87

Copper Canyon (NOVAGOLD 70%)				
Resources (100%) <sup>5,6</sup>	Tonnage	Grade*	Metal content	NOVAGOLD share**
<b>COPPER</b>	<i>Mt</i>	<i>%Cu</i>	<i>Mlbs</i>	<i>Mlbs</i>
Inferred	53.7	0.50	592.0	414.4
<b>GOLD</b>	<i>Mt</i>	<i>g/t</i>	<i>Moz</i>	<i>Moz</i>
Inferred	53.7	0.73	1.26	0.88
<b>SILVER</b>	<i>Mt</i>	<i>g/t</i>	<i>Moz</i>	<i>Moz</i>
Inferred	53.7	10.60	18.36	12.85

t = metric tonne

M = million

g/t = grams/tonne

\* Reserve grade is diluted; resource grade is in situ.

\*\* NOVAGOLD share net after earn-ins

Approximate cutoff grades (see Resource Footnotes below):

Donlin Gold Reserves<sup>1</sup>: 0.57 g/t gold

Resources<sup>2</sup>: 0.46 g/t gold

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

Resources<sup>2</sup>: C\$10.08 NSR

Copper Canyon Resources<sup>5,6</sup>: 0.6% copper equivalent

**Notes:**

a. These resource estimates have been prepared in accordance with NI43-101 and the CIM Definition Standard, unless otherwise noted.

b. See numbered footnotes below on resource information.

c. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content

d. Tonnage and grade measurements are in metric units. Contained gold and silver ounces are reported as troy ounces, contained copper pounds as imperial pounds

**Resource Footnotes:**

- Mineral Reserves are contained within Measured and Indicated pit designs, and supported by a mine plan, featuring variable throughput rates, stockpiling and cut-off optimization. The pit designs and mine plan were optimized on diluted grades using the following economic and technical parameters: Metal price for gold of US\$975/oz; reference mining cost of US\$1.67/t incremented US\$0.0031/t/m with depth from the 220 m elevation (equates to an average mining cost of US\$2.14/t), variable processing cost based on the formula  $2.1874 \times (S\%) + 10.65$  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:  $\text{Net Sales Return} = \text{Au grade} \times \text{Recovery} \times (\text{US}\$975/\text{oz} - (1.78 + (\text{US}\$975/\text{oz} - 1.78) \times 0.045)) - (10.65 + 2.1874 \times (S\%) + 2.27 + 0.19)$  and reported in US\$/tonne. Assuming an average recovery of 89.54% and an average S% grade of 1.07%, the marginal gold cutoff grade would be approximately 0.57 g/t, or the gold grade that would equate to a 0.001 NSR cutoff at these same values. The life of mine strip ratio is 5.48. The assumed life-of-mine throughput rate is 53.5 kt/d.
- Mineral Reserves are contained within Measured and Indicated pit designs using metal prices for copper, gold and silver of US\$2.50/lb, US\$1,050/oz, and US\$16.85/oz, respectively. Appropriate mining costs, processing costs, metal recoveries and inter ramp pit slope angles varying from 42° to 55° were used to generate the pit phase designs. Mineral Reserves have been calculated using a 'cashflow grade' (\$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.
- 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:  $\text{Net Sales Return} = \text{Au grade} \times \text{Recovery} \times (\text{US}\$1200/\text{oz} - (1.85 + ((\text{US}\$1200/\text{oz} - 1.85) \times 0.045))) - (10.65 + 2.1874 \times (S\%) + 2.29 + 0.20)$  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 "Cautionary Note Concerning Reserve & Resource Estimates".
- Mineral resources are contained within a conceptual Measured, Indicated and Inferred optimized pit shell using the same economic and technical parameters as used for Mineral Reserves. Tonnages are assigned based on proportion of the block below topography. The overburden/bedrock boundary has been assigned on a whole block basis. 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:  $\text{NSR} = \text{Diluted Net Smelter Return}$ ;  $\text{TCRC} = \text{Transportation and Refining Costs}$ ;  $\text{Recoverable Revenue} = \text{Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using silver using the economic and technical parameters mentioned above. The mineral resource includes material within the conceptual M,I&I pit that is not scheduled for processing in the mine plan but is above cutoff. Mineral Resources are inclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Inferred Resources are in addition to Measured and Indicated Resources. Inferred Resources have a great amount of uncertainty as to their existence and whether they can be mined legally or economically. It cannot be assumed that all or any part of the Inferred Resources will ever be upgraded to a higher category. See "Cautionary Note Concerning Reserve & Resource Estimates".$
- The copper-equivalent grade was calculated as follows:  $\text{CuEq} = \text{Recoverable Revenue} \div 2204.62 \times 100 \div 1.55$ . Where:  $\text{CuEq} = \text{Copper equivalent grade}$ ;  $\text{Recoverable Revenue} = \text{Revenue in US dollars for recoverable copper, recoverable gold and recoverable silver using metal prices of US}\$1.55/\text{lb, US}\$650/\text{oz, and US}\$11/\text{oz for copper, gold, and silver, respectively; for the purposes of the equivalency formula, Cu Recovery is assumed to be 100\%.$  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 "Cautionary Note Concerning Reserve & Resource Estimates".
- NOVAGOLD Canada Inc. has agreed to transfer its 60% joint venture interest in the Copper Canyon property to the Galore Creek Partnership, which is equally owned by NOVAGOLD Canada Inc. and a subsidiary of Teck Resources Limited. The remaining 40% joint venture interest in the Copper Canyon property is owned by another wholly owned subsidiary of NOVAGOLD.

### 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 Disclosure &amp; Filing Date</b>
Donlin Gold	Tony Lipiec, P. Eng., AMEC	Donlin Creek Gold Project
	Gordon Seibel R.M. SME, AMEC	Alaska, USA
	Kirk Hanson P.E., AMEC	NI 43-101 Technical Report on Second Updated Feasibility Study amended filing on January 23, 2012
Galore Creek	Robert Gill, P.Eng., AMEC	Galore Creek Copper–Gold Project,
	Jay Melnyk, P.Eng., AMEC	British Columbia, NI 43-101 Technical Report on Pre-Feasibility Study,
	Greg Kulla, P.Geo., AMEC	filed on September 12, 2011
	Greg Wortman, P.Eng., AMEC	
	Dana Rogers, P.Eng., Lemley International	

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 section related to: (i) Donlin Gold since the issuance of the technical report filed on January 23, 2012, and (ii) Galore Creek since the issuance of the technical report filed on September 12, 2011.

## **General Development of the Business – Three Year History**

### ***Changes to Senior Management***

On November 16, 2011, the Company announced that Mr. Gregory A. Lang had accepted the position of President and Chief Executive Officer of the Company effective January 9, 2012. Mr. Lang was previously the President of Barrick Gold North America Inc., a wholly-owned subsidiary of Barrick. As the President of Barrick Gold North America Inc., Mr. Lang had executive responsibility for Barrick's nine operations in the United States, Canada and the Dominican Republic, including the Donlin Gold project.

Effective January 9, 2012, Mr. Rick Van Nieuwenhuysse stepped down from his position as President and Chief Executive Officer of the Company and assumed the position of President and Chief Executive Officer of NovaCopper Inc., which subsequently was spun-out of NOVAGOLD and is now a separate publicly-traded company on the TSX and NYSE-MKT under the symbol NCQ. Mr. Van Nieuwenhuysse continues to serve as a member of the Board of Directors of NOVAGOLD.

On September 4, 2012, the Company announced the appointment of David Deisley to the position of Executive Vice President and General Counsel, effective November 1, 2012. In this executive role, Mr. Deisley is responsible for NOVAGOLD's legal governance and supports the Company's efforts to advance the permitting process on the Donlin Gold project. Mr. Deisley has over 25 years of experience in the mining industry in the Americas. He previously served as Executive Vice President, Corporate Affairs and General Counsel for Goldcorp Inc. ("Goldcorp"). During his tenure with Goldcorp, Mr. Deisley played a leading role in the implementation of corporate development transactions and in the advancement of Goldcorp's corporate social responsibility policy and practices.

On September 19, 2012, the Company announced the appointment of David Ottewell to the position of Vice President and Chief Financial Officer effective November 13, 2012. In this senior role, Mr. Ottewell is responsible for all aspects of NOVAGOLD's financial management as the Company advances permitting and financial optimization of its 50%-owned Donlin Gold Project. Mr. Ottewell has over 25 years of mining industry experience. He previously served as Vice President and Controller for Newmont Mining Corporation ("Newmont"). During his tenure with Newmont, Mr. Ottewell led the global accounting functions for external reporting to shareholders and regulators in the U.S. and Canada.

Effective November 12, 2012, Ms. Elaine Sanders stepped down from her position as Vice President, Chief Financial Officer and Corporate Secretary of the Company and assumed the full time position of Vice President and Chief Financial Officer of NovaCopper Inc.

On November 19, 2012 the Company announced that Gillyeard Leathley, the Senior Vice President and Chief Operating Officer would be retiring at the end of November, 2012. He continues to serve as a Senior Advisor to the President and Chief Executive Officer and as a Director of the Company and Donlin Gold LLC. Gil has more than 50 years of experience in the mining industry. He joined NOVAGOLD in 2010 as a Senior Advisor to the President, became Senior Vice President and Chief Operating Officer later in the year and joined the Board of Directors in 2011.

### ***Donlin Gold Feasibility Study and Updates***

Donlin Gold is located in southwestern Alaska on private Alaskan native-owned lands and Alaska state mining claims totaling 81,361 acres (32,926 hectares).

On April 28, 2009, NOVAGOLD announced it had commissioned AMEC Americas Limited ("AMEC") to provide an independent Qualified Person's Review and Technical Report for the Donlin Gold project based on information contained in the 2009 Feasibility Study. Based on the 2009 Feasibility Study, the Donlin Gold mine was designed as a year-round, open-pit operation with a mill throughput of 53,500 tonnes per day. While the 2009 Feasibility Study anticipated a mine life of 21 years using the original 29.3 million ounce gold reserve base, the reserve update in March 2010 (see below) to 33.6 million ounces resulted in an anticipated mine life extension to 25 years. During the

first 5 full years, production was expected to average 1.6 million ounces of gold with an average total cash cost of US\$394/oz. Gold production for the first 12 full years was expected to average nearly 1.5 million ounces annually at an average total cash cost of US\$444/oz. Life of mine ("LOM") production was estimated at an average of 1.25 million ounces of gold annually.

As outlined in the 2009 Feasibility Study, the total estimated cost to design and build the Donlin Gold project was US\$4.5 billion, including an owner-provided mining fleet and self-performed pre-development costs. Sustaining capital requirements totaled US\$803.0 million over the 20+ year mine life; these will be recalculated for the longer mine life in the feasibility revision. All costs from the 2009 Feasibility Study were expressed in Q4 2008 U.S. dollars with no allowances for taxes, duties or interest during construction. LOM operating costs, including allocations for mining, processing, administration and refining, were estimated at US\$30.03/t milled and US\$4.60/t mined. The operating cost estimates were assembled by area and component, based on estimated staffing levels, consumables and expenditures, according to the mine plan and process design.

The project was expected to generate positive net cash flow at the base case gold price assumption of US\$725/oz used for the 2009 reserve estimate. At a gold price of US\$1,000/oz the project would generate US\$8.4 billion in pre-tax cash flow and have a pre-tax net present value (NPV<sub>5%</sub>) of US\$2.7 billion with a pre-tax internal rate of return ("IRR") of 12.3%.

The 2009 Feasibility Study included a reserve/resource estimate in which a majority of the mineral resources were converted to mineral reserves. Using a long-term gold price assumption of US\$725/oz and US\$850/oz respectively, mineral reserves and mineral resources were estimated at 29.3 million ounces of proven and probable gold reserves, with an additional 6.0 million ounces of measured and indicated gold resources and 4.0 million ounces of inferred gold resources.

On March 22, 2010, NOVAGOLD announced an updated reserve/resource estimate for the Donlin Gold project. The estimate was completed by an independent engineering firm under the supervision of Donlin Gold LLC using a gold price of US\$825/oz, increasing the in-situ gold reserve by 4.3 million ounces to 33.6 million ounces of gold on a 100% basis. NOVAGOLD's 50% interest totaled 16.8 million ounces of gold reserves, with an additional 2.1 million ounces of measured and indicated gold resources and 2.2 million ounces of inferred gold resources. The Donlin Gold reserve/resource estimate incorporated results from 62 new drill holes totaling 25,094 meters for total drilling in the reserve/resource model of 1,740 drill holes totaling 370,000 meters. The revised pit model used similar parameters to the resource model used in the 2009 Feasibility Study. The new reserve estimate represented a 15% increase over the 29.3 million ounce reserve estimate contained in the 2009 Feasibility Study, and was based on the inclusion of additional drilling and a US\$100/oz increase in long-term gold price assumptions from those used in 2009. The increase in reserves was expected to extend the mine life from 21 years to 25 years at the feasibility production rate, and did not materially change the 2009 Feasibility Study. It was believed that the additional storage capacity provided for in the 2009 Feasibility Study would accommodate the increase in tailings and that the waste rock storage facility could be modified to contain the additional unmineralized rock material.

On May 5, 2010, NOVAGOLD announced the Donlin Gold FS had been initiated at the Donlin Gold project to consider the construction and operation of an underground 12-inch pipeline approximately 505 km (315 miles) from the upper Cook Inlet area to the proposed Donlin Gold mine site. Gas from the pipeline would be used to produce electricity at site, and the capital cost of the pipeline could be partially offset by cost savings from elimination of the wind cogeneration facility, the potential for a shorter access road and a significant reduction in requirements for diesel storage, with some additional cost reduction opportunities.

On December 5, 2011 NOVAGOLD announced the completion of the Donlin Gold FS. The Donlin Gold FS revises the 2009 Feasibility Study with updated mineral reserves and resources, capital costs and operating cost estimates. This updated study also looked at specific design aspects of the project. One specific design change in the Donlin Gold FS is utilization of natural gas as the primary power source for the project rather than diesel. The property has estimated proven and probable mineral reserves of 505 million tonnes grading 2.09 grams per tonne gold for 33.85 million ounces of gold. This represents an approximate 16% increase from the mineral reserve estimate outlined in the 2009 Feasibility Study and is broadly comparable to the March 2010 mineral reserve and resource update released by NOVAGOLD. The property hosts estimated measured and indicated mineral resources (inclusive

of mineral reserves) of 541 million tonnes grading 2.24 grams per tonne gold for 39 million ounces of gold and inferred mineral resources of 92 million tonnes grading 2.02 grams per tonne gold for 6.0 million ounces of gold.

The total capital cost estimate for Donlin Gold is US\$6.7 billion including costs related to the natural gas pipeline and a contingency of US\$984 million. The project's estimated after-tax net present value (NPV<sub>5%</sub>) is US\$547 million using the base case gold price of US\$1,200/oz, US\$4.58 billion using a gold price of US\$1,700/oz and US\$6.72 billion using a gold price of US\$2,000/oz. Donlin Gold, if put into production in accordance with the Donlin Gold FS, would average 1.46 million ounces of gold production in each of its first five years of operation at an average cash cost of US\$409/oz and would average 1.13 million ounces of gold per year over its projected 27 year mine life with an average cash cost of US\$585/oz.

The project is expected to be a conventional truck and shovel open-pit operation. The mine life is estimated to be 27 years based on a nominal processing rate of 53,500 tonnes per day.

NOVAGOLD believes that significant exploration potential remains in the Donlin Gold district, with prospects to increase mine life and/or justify future production expansions.

### ***Galore Creek Pre-Feasibility Study***

Galore Creek, a large copper-gold-silver project located in northwestern British Columbia, is held by a partnership in which NOVAGOLD Canada Inc. and Teck Metals Ltd. each own a 50% interest and is managed by GCMC. The Galore Creek property comprises 293,837 acres (118,912 hectares) and hosts a large, porphyry-related copper-gold-silver deposit.

During 2010, GCMC had reviewed a number of optimization scenarios for the Galore Creek copper-gold-silver project with the objective of expanding throughput, relocating the project facilities to allow for easier construction and future expansion, and reducing the risks associated with construction and operations. Based on these studies, GCMC identified a preferred project design, and on April 20, 2010 NOVAGOLD announced the PFS was underway with completion targeted for the second quarter of 2011. The purpose of the PFS was to provide capital cost estimates using higher copper and gold prices than used in previous studies, as well as possible permitting, construction and production timelines.

Primary changes to the project included:

- Relocation of the tailings facility allowing for construction of a conventional tailings dam;
- Relocation of the processing facilities allowing for future expansion;
- Realignment of the tunnel and access road; and
- Increase of daily throughput to approximately 90,000 tonnes per day.

Plans envision the ore being crushed in the Galore Valley and then conveyed through the tunnel and along the access road to the processing plant. From there, concentrate would be piped along the remainder of the access road to Hwy 37. A trade off study will identify the best alternative for transport of concentrate to market. The project would primarily use electric power, with a power line built along the access road to tie into the 287-kV transmission line, that the British Columbia and Canadian governments have announced their intention to build. Some components of the revised Galore Creek mine plan, such as the mill and tailings location, would require new permits or amendments to existing permits. The majority of permits required for road construction remain in good standing. GCMC may continue with road and bridge work as the project moves through the feasibility stage, with the objective of shortening the construction timeline and reducing the need for helicopter support.

On June 23, 2011, NOVAGOLD announced the approval by the Galore Creek Partnership of a \$30.5 million budget to carry out further work at Galore Creek during the remainder of 2011. Planned work included infill drilling to convert inferred mineral resources to measured and indicated categories, geotechnical drilling on the tunnel alignment and geotechnical drilling to confirm open pit slopes in areas targeted for conversion of inferred mineral resources. In June 2011, Teck completed its funding requirements of \$373.3 million to earn its 50% interest in the



Galore Creek Partnership. From the date of completion of Teck's earn-in, NOVAGOLD and Teck are equally funding further Galore Creek expenditures.

On July 27, 2011, NOVAGOLD announced the results of the PFS for the Galore Creek project. The PFS estimates the Galore Creek property has proven and probable mineral reserves of 528 million tonnes grading 0.58% copper, 0.32 grams/tonne gold and 6.02 grams/tonne silver for estimated contained metal of 6.8 billion pounds of copper, 5.45 million ounces of gold and 102.1 million ounces of silver. In addition, the property has estimated measured and indicated mineral resources (exclusive of mineral reserves) of 286.7 million tonnes grading 0.33% copper, 0.27 grams/tonne gold and 3.64 grams/tonne silver for estimated contained metal of 2.07 billion pounds of copper, 2.53 million ounces of gold and 33.54 million ounces of silver, and estimated inferred mineral resources of 346.6 million tonnes grading 0.42% copper, 0.24 grams/tonne gold and 4.28 grams/tonne silver for estimated contained metal of 3.23 billion pounds of copper, 2.70 million ounces of gold and 47.73 million ounces of silver. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The PFS total capital cost estimate for the Galore Creek project was \$5.2 billion dollars. Capital costs are estimated with an accuracy range of +25% / -20% (including contingency). The project's estimated net present value (NPV<sub>7%</sub>), using the PFS base case metal price assumptions set forth below, was assessed at \$837 million and \$137 million on a pre-tax and post-tax basis, respectively. The corresponding post-tax IRR of the project was estimated at 7.4%. Base case metal prices used in the PFS were US\$2.65/lb copper, US\$1,100/oz gold and US\$18.50/oz silver with a foreign exchange rate of US\$0.91 = Cdn\$1.00.

Mining of the Galore Creek deposit is planned as a conventional truck-shovel open-pit mining operation with a nominal 95,000 tonne-per-day throughput. Life of mine throughput average is approximately 84,000 tonnes per day due to the milling circuit constraining throughput as harder rock is encountered deeper in the open pits. The current 528 million tonne mineral reserve estimate is expected to support a mine life of approximately 18 years. Using a conventional grinding and flotation circuit, the project would produce a high-quality copper concentrate with significant gold and silver credits.

On March 15, 2012, NOVAGOLD announced the results of a 10,000 meter resource infill drilling program. The 2011 campaign confirmed previous drill results produced by GCMC as well as the potential for substantial extension of mineralization beyond the limits of the reserve pits provided for in the PFS.

On November 16, 2011, NOVAGOLD announced its interest in selling all or part of its 50% interest in Galore Creek. The Company is currently evaluating opportunities to sell all or a portion of its interest in Galore Creek and intends to apply any proceeds toward the development of Donlin Gold.

#### ***Purchase of Copper Canyon Resources Ltd.***

On December 20, 2010, NOVAGOLD announced its intention to offer to purchase all of the issued and outstanding common shares of Copper Canyon Resources Ltd. ("Copper Canyon"), a junior exploration company whose principal asset is its 40% joint venture interest in the Copper Canyon copper-gold-silver property that is adjacent to the Galore Creek project. At the time the offer was made, a wholly-owned subsidiary of NOVAGOLD held the remaining 60% joint venture interest in the Copper Canyon property. Under the terms of the offer, each holder of Copper Canyon common shares received 0.0425 of a NOVAGOLD common share for each Copper Canyon common share properly deposited under the offer. NOVAGOLD subsequently filed and mailed its Offer to Purchase and Circular on January 18, 2011. The offer was open for acceptance until 5:00pm Eastern time on February 23, 2011. Given the difficult topography, the small size and inferred category of the known resources and the low copper grade on the Copper Canyon property, the Copper Canyon resources are not currently and not anticipated to be part of the mine plan for Galore Creek.

On May 20, 2011, NOVAGOLD completed the acquisition of Copper Canyon, and as a result, Copper Canyon is now a wholly-owned subsidiary of NOVAGOLD. NOVAGOLD issued a total of 4,171,303 common shares under the arrangement, which represented approximately 1.7% of NOVAGOLD's common shares outstanding at the time of the transaction and paid \$2.6 million cash. Under the arrangement, Copper Canyon transferred to a new company, Omineca Mining and Metals Ltd. ("Omineca"), substantially all of its assets other than certain cash and its 40% interest in the Copper Canyon property. NOVAGOLD holds and exercises control over an aggregate of 1,725,858

common shares of Omineca, representing approximately 10.8% of Omineca's outstanding common shares. The Omineca shares are being held by NOVAGOLD as a portfolio investment.

### ***Ambler Project***

On January 7, 2010, NOVAGOLD and AGC completed the purchase from Kennecott Exploration Company and Kennecott Arctic Company (collectively "Kennecott") of a 100% interest in the Ambler property in northern Alaska, which hosts the high-grade copper-zinc-gold-silver Arctic deposit. The Ambler project in the Ambler mining district comprises 90,315 acres (36,549 hectares) of State of Alaska mining claims and Federal patented mining claims and hosts a number of deposits. NOVAGOLD agreed to pay Kennecott a total purchase price of US\$29.0 million for the Ambler property to be paid as: US\$5.0 million by the issuance of 931,098 NOVAGOLD shares and two installments of US\$12.0 million each, due in January 2011 and 2012. The NOVAGOLD shares were issued in January 2010, the first US\$12 million payment was made on January 7, 2011 and the second US\$12 million payment was made early on August 5, 2011. Kennecott retained a 1% net smelter return royalty that NOVAGOLD can purchase at any time for a one-time payment of US\$10.0 million. The agreement terminated the exploration agreement between NOVAGOLD and Kennecott dated March 22, 2004, as amended, under which NOVAGOLD had the ability to earn a 51% interest in the UKMP and Ambler district net assets.

On April 14, 2011, NOVAGOLD announced the results of the Preliminary Economic Assessment ("PEA") for the Ambler project which focused on the Arctic deposit. The project's net present value (NPV<sub>8%</sub>) using the PEA base case metal price assumptions was assessed at US\$718 million and US\$505 million on a pre-tax and post-tax basis, respectively. The corresponding Internal Rates of Return ("IRR") were estimated at 30% and 25%. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that all or any part of the mineral resources will be converted to mineral reserves. The PEA was preliminary in nature and contained inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves.

On October 19, 2011, NovaCopper US Inc. ("NovaCopper US"), a wholly-owned subsidiary of NovaCopper Inc. ("NovaCopper"), entered into an Exploration Agreement and Option to Lease (the "NANA Agreement") with NANA Regional Corporation, Inc. ("NANA") for the cooperative development of their respective resource interests in the Ambler mining district of Northwest Alaska. The NANA Agreement consolidates NovaCopper's and NANA's land holdings into an approximately 146,500 hectare land package and provides a framework for the exploration and development of this high-grade and prospective poly-metallic belt.

### ***NovaCopper Spin-out to Shareholders***

On November 16, 2011, NOVAGOLD announced its intention to spin-out its wholly-owned subsidiary, NovaCopper Inc. ("NovaCopper") by way of a Plan of Arrangement (the "Arrangement"). The Arrangement was approved by the Company's Board of Directors and the favorable vote of NOVAGOLD's security holders at a special meeting of security holders held on March 28, 2012. On April 30, 2012, the Company completed the Arrangement under the Nova Scotia Companies Act pursuant to which it distributed the common shares of NovaCopper to the Company's shareholders. Under the Arrangement, each shareholder of the Company received one share of NovaCopper for every six shares held of the Company. As a result of the Arrangement, which was effective as of April 30, 2012, NovaCopper is an independent company and its shares are listed on the Toronto Stock Exchange ("TSX") and the NYSE MKT LLC ("NYSE-MKT") under the symbol NCQ. Further information regarding NovaCopper and the Ambler project is available at NovaCopper's website: [www.novacopper.com](http://www.novacopper.com).

### ***Sale of Subsidiary and Rock Creek***

On November 1, 2012, NOVAGOLD completed the sale of Alaska Gold Company LLC ("AGC"), a wholly owned subsidiary of the Company, which owned the Rock Creek property ("Rock Creek") and other properties in and around Nome, Alaska to Bering Straits Native Corporation ("BSNC") for US\$6.0 million. The Company received US\$1.0 million cash, a US\$5.0 million note receivable bearing 3% interest payable over five years, a 5% net profit interest royalty on any future production from Rock Creek, and a 10% net profit interest royalty on any future production from the Big Hurrah properties. The Company also transferred the remaining reclamation bond of \$13.4

million for Rock Creek closure to BSNC. BSNC has assumed full responsibility and liability for the remainder of the reclamation activities requested by the State of Alaska at Rock Creek.

### ***Financing***

On January 22, 2009, the Company completed the sale of 53,134,616 units for a purchase price of US\$1.30 per unit for gross proceeds of approximately US\$69.0 million. Electrum Strategic Resources L.P. (“Electrum”) purchased 46,153,847 units and several institutional investors purchased 6,980,769 units. On January 26, 2009, the Company completed the sale of 4,557,692 units to several institutional investors for gross proceeds of approximately US\$5.9 million. The total gross proceeds to NOVAGOLD of these two unit financings were US\$75.0 million. Each unit consisted of one common share of NOVAGOLD and one common share purchase warrant of NOVAGOLD. Each warrant entitled the holder thereof to acquire one common share of NOVAGOLD for an exercise price of US\$1.50 prior to 5:00 pm EST on January 21, 2013. Upon closing of the private placement, Electrum became NOVAGOLD’s largest shareholder, then owning approximately 19% of the issued and outstanding common shares of the Company.

Electrum had the right, for four years until January 22, 2013, to participate pro-rata (on a fully diluted basis) in any future offering by NOVAGOLD of equity securities or any securities which are exercisable, exchangeable or convertible into equity securities so long as Electrum and its affiliates owned more than 15,000,000 common shares of NOVAGOLD. This right of participation was subject to certain exceptions including exceptions relating to a grant or exercise of options issued under the Company’s stock option plan, issuances of common shares on the exercise of outstanding warrants and convertible securities, issuance of securities in connection with a strategic acquisition or transaction by NOVAGOLD, the primary purpose of which is not to raise equity, and the issuance of securities in connection with an investment by, or partnership or joint venture with, one or more strategic investors. Any exercise of such rights would be subject to applicable TSX rules and NYSE-MKT rules. NOVAGOLD has also entered into registration rights agreements with Electrum under which Electrum may require NOVAGOLD to qualify certain common shares for distribution in Canada and/or the United States. NOVAGOLD provided Electrum with the right to designate an observer at all meetings of the Board of Directors of NOVAGOLD and any committee thereof so long as Electrum and its affiliates hold not less than 15% of the Company’s common shares. Electrum designated Igor Levental as its observer at NOVAGOLD Board of Directors meetings. In July 2010, NOVAGOLD appointed Igor Levental as a Director of NOVAGOLD. In November 2011, Dr. Thomas S. Kaplan, was appointed the Chairman of the Board for NOVAGOLD. Mr. Kaplan is also the Chairman and Chief Executive Officer of The Electrum Group LLC. See “Risk Factors”.

In March 2010, the Company completed the sale of 18,181,818 common shares of the Company at a price of US\$5.50 per common share to investment funds managed by Paulson & Co. Inc. and 13,636,364 common shares of the Company at a price of US\$5.50 per common share to Quantum Partners Ltd., a private investment fund managed by Soros Fund Management LLC, for total gross proceeds of US\$175.0 million.

On February 7, 2012, the Company completed an equity financing and issued 35,000,000 common shares at US\$9.50 per common share for gross proceeds of US\$332.5 million. The net proceeds to the Company, after deducting underwriters’ fees and issuance expenses of \$14.6 million, were \$316.4 million.

### ***Exercise of Warrants***

During fiscal 2010, 8,346,153 share purchase warrants, issued as part of the January 2009 financing, were exercised at an exercise price of US\$1.50 per share for proceeds of US\$12.5 million.

During fiscal 2011, as part of the January 2009 financing, 7,099,969 share purchase warrants were exercised at an exercise price of US\$1.50 per share for proceeds of US\$10.7 million and 1,825,000 share purchase warrants were exercised at an exercise price of \$1.479 per share for proceeds of \$2.7 million; the warrants were issued as part of the Company’s January 2009 financing. In January 2011, an agreement was entered into with Electrum to amend the currency that the exercise price was denominated in from U.S. dollars to Canadian dollars. The exercise price was amended from US\$1.50 to \$1.479 at the prevailing exchange rate on the date of the agreement.

During fiscal 2012, 3,891,600 share purchase warrants were exercised at an exercise price of \$1.479 per share for proceeds of \$5.8 million.

On December 31, 2012, Electrum exercised its remaining 31,337,278 share purchase warrants at \$1.479 per share for proceeds of \$46.4 million. As a result of the exercise of these warrants, Electrum and GRAT Holdings LLC, an Electrum affiliate, now hold 84,569,479 NOVAGOLD shares, representing approximately 27.2% of the Company's outstanding shares. In January 2013, all remaining 5,192,308 share purchase warrants outstanding were exercised at US\$1.50 per share for proceeds of US\$7.8 million.

## ***DESCRIPTION OF THE BUSINESS***

### **General**

#### **Donlin Gold Project, Alaska**

Donlin Gold is an advanced-stage gold project held by Donlin Gold LLC, a limited liability company that is owned 50% by the Company's wholly-owned subsidiary, NOVAGOLD Resources Alaska, Inc. and 50% by Barrick's wholly-owned subsidiary, Barrick Gold U.S. Inc. Donlin Gold is located on private, Alaskan Native-owned land and Alaska state mining claims, the 81,361 acre (32,926 hectare) property hosts a gold deposit currently estimated at 33.8 million ounces of proven and probable reserves averaging 2.09 grams per tonne gold, 5.2 million ounces of measured and indicated resources and an additional 6.0 million ounces of inferred resources. This reserve estimate represents a 15% increase over the 29.3 million ounce gold reserve estimate outlined in the 2009 Feasibility Study, and is based on the inclusion of additional drilling and a US\$250/oz increase in long-term gold price assumptions from that used in 2009.

On July 14, 2001, the Company, through its wholly-owned subsidiary NOVAGOLD Resources Alaska, Inc., entered into an exploration and development option agreement with Placer Dome (acquired by Barrick in January 2006), granting the Company the right to earn up to a 70% interest in the Donlin Gold property ("Option Agreement"). Under the terms of the Option Agreement, the Company agreed to expend US\$10.0 million within a ten-year period towards exploration and development to earn a 70% interest in the Donlin Gold property. In November 2002, the Company earned title to a 70% interest in the property, with Placer Dome holding the remaining 30%. A joint venture between the parties was effectively formed, the rights and obligations of which became those of Barrick in January 2006 following its acquisition of Placer Dome. During the latter half of 2006 and the majority of 2007, there was a dispute between the Company and Barrick regarding Barrick's ability to meet the terms of the back-in agreement and acquire a 70% interest in the property, which would have had the effect of reducing the Company's interest to 30%.

To resolve their differences, the Company and Barrick entered into a limited liability company agreement dated December 1, 2007 that provided for the conversion of the Donlin Gold joint venture into Donlin Gold LLC, which is jointly owned by the Company and Barrick on a 50/50 basis. Pursuant to the limited liability company agreement, the Company has agreed to reimburse Barrick over time for approximately US\$64.3 million, representing 50 percent of Barrick's approximately US\$128.6 million expenditures in Donlin Gold from April 1, 2006 to November 30, 2007. The Company reimbursed US\$12.7 million of this amount following the effective date of the agreement by paying US\$12.7 million of Barrick's share of project development costs. The remaining US\$51.6 million will bear interest and be paid out of future mine production cash flow. As at November 30, 2012, the promissory note, including accrued interest, amounted to approximately US\$68.1 million. Funding is currently shared by both parties on a 50/50 basis.

On December 5, 2011, NOVAGOLD announced the results of an updated feasibility study for the Donlin Gold project. The Donlin Gold FS revises the 2009 Feasibility Study with updated mineral reserves and resources, capital costs and operating cost estimates. The feasibility study also utilizes natural gas as the primary power source for the project rather than the original diesel option. Based on the Donlin Gold FS, the project is expected to be a conventional truck-and-shovel open-pit operation. The mine life is estimated to be 27 years based on a nominal processing rate of 53,500 tonnes per day. During the first five years, expected production averages 1.46 million ounces of gold production in each year of its first five years of operation at an average cash cost of US\$409/oz and

an average of 1.13 million ounces of gold per year over its projected 27 year mine life with an average cash cost of US\$585/oz.

The property has estimated proven and probable mineral reserves of 505 million tonnes grading 2.09 grams per tonne gold for 33.85 million ounces of gold. This represents an approximate 15% increase from the mineral reserve estimate outlined in the 2009 Feasibility Study and is broadly comparable to the March 2010 mineral reserve and resource update released by NOVAGOLD. The property hosts estimated measured and indicated mineral resources (inclusive of mineral reserves) of 541 million tonnes grading 2.24 grams per tonne gold for 39 million ounces of gold and inferred mineral resources of 92 million tonnes grading 2.02 grams per tonne gold for 6.0 million ounces of gold. NOVAGOLD's 50% interest totals 16.9 million ounces of gold reserves, with an additional 2.6 million ounces of measured and indicated gold resources and 3.0 million ounces of inferred gold resources. The Donlin Gold reserve/resource estimate incorporates results from 62 new drill holes totaling 25,000 meters for total drilling in the reserve/resource model of 1,740 drill holes totaling 370,000 meters. Mineral Reserves have been estimated using a long-term gold price assumption of US\$975/oz. Mineral resources are based on a Whittle™ pit optimized for all Measured, Indicated, and Inferred blocks assuming a gold selling price of US\$1,200/oz and are inclusive of reserves.

Mineral resources have been classified using criteria appropriate under the CIM Definition Standards by application of a net smelter return based cut-off grade which incorporated mining and recovery parameters, and constraint of the resources to a pit shell based on commodity prices. Mineral reserves were estimated based on a series of Lerchs-Grossmann pit shells, established following a number of throughput rationalization studies. The pit shell considered measured and indicated resources only. Flotation recoveries in the pit optimization varied by rock type, domain, and degree of oxidation, and ranged from 86.66% to 94.17%.

Except for the information contained under the heading "Donlin Gold – Current Activities" or as otherwise stated or implied, the scientific and technical information regarding Donlin Gold in this Annual Information Form is based on the technical report titled "Donlin Gold Project, Alaska, USA NI 43-101 Technical Report on Second Updated Feasibility Study" dated December 2011 (the "Donlin Gold FS") prepared by Kirk Hanson, P.E., Gordon Seibel, R.M. SME., and Tony Lipiec, P.Eng., all of whom are Qualified Persons as defined in NI 43-101. The Donlin Gold FS has been filed with the securities regulatory authorities in each province of Canada and with the SEC. Portions of the following information are based on assumptions, qualifications and procedures that are not fully described herein. References should be made to the full text of the Donlin Gold FS which is available for review on SEDAR located at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

### ***Donlin Gold – Property Description and Location***

The Donlin Gold property is an advanced-stage gold project located in southwestern Alaska and the largest known undeveloped gold deposit in the world. The property is under lease for subsurface and surface rights from Calista Corporation ("Calista") and The Kuskokwim Corporation ("TKC"), two Native Alaskan corporations. Calista is one of 13 regional Alaska Native corporations established as part of the Alaska Native Claims Settlement Act ("ANCSA") of 1971 and under ANCSA has title to the subsurface estate in the region. TKC was formed in 1977 when the ANCSA village corporations of Lower Kalskag, Upper Kalskag, Aniak, Chuathbaluk, Napaimute, Crooked Creek, Red Devil, Georgetown, Sleetmute and Stony River, which are located along the middle region of the Kuskokwim River, merged. Under ANCSA, TKC has title to extensive surface estate in the region, including most of the project lands.

In March 2010, Donlin Gold LLC renegotiated its lease with Calista, securing additional land to allow for future expansion and extending the lease to 2031. In addition to the 49,671 acres (20,101 hectares) leased from Calista, Donlin Gold LLC holds 242 Alaska State mining claims comprising 31,760 acres (12,852 hectares), bringing the total land package to 81,431 acres (32,954 hectares). The existing lease covers the subsurface rights for the entire Donlin Gold mineral reserves and resources. Among other things, amendments to the renegotiated lease provide for (i) the lease of certain additional lands that may be required for the development of the property, (ii) an extension of the term of the lease to April 30, 2031 and automatically year to year thereafter, so long as either mining or processing operations are carried out on or with respect to the property in good faith on a continuous basis in such year, or Donlin Gold LLC pays to Calista an advanced minimum royalty of US\$3.0 million (subject to adjustment for increases in the Consumer Price Index) for such year, (iii) the elimination of Calista's option to acquire a 5% to

15% participating operating interest in the project and replacement with the payment to Calista of a net proceeds royalty equal to 8% of the net proceeds realized by Donlin Gold LLC at the project after deducting certain capital and operating expenses (including an overhead charge, actual interest expenses incurred on borrowed funds and a 10% per annum deemed interest rate on investments not made with borrowed funds), and (iv) an increase in the advanced minimum royalties payable to Calista under the lease to US\$0.5 million for the year ending April 30, 2010, increasing on an annual basis thereafter until reaching US\$1.0 million for each of the years 2015 to 2024 inclusive and US\$2.0 million for each of the years 2025 to 2030 inclusive. All advance minimum royalties paid to Calista continue to be recoverable as a credit against Calista's existing net smelter royalty under the lease agreement, which remains unchanged.

Donlin Gold LLC, through native lease agreements, holds a significant portion of the surface rights that will be required to support mining operations in the proposed mining area. Donlin Gold is negotiating a restructuring of the TKC agreement to, among other things, add additional lands and extend the term, which currently expires in June 2015 unless certain lease conditions are met. The surface use agreement provides TKC with payments for lands used and protection of subsistence activities.

Other lands required for offsite infrastructure, such as the Jungjuk port site, the road to the port site and gas pipeline are categorized as Native, State of Alaska conveyed, or Bureau of Land Management ("BLM") lands. Rights-of-way will be required from the State and BLM for the road and pipeline alignments where they cross State and Federal lands.

The resource area consists of the ACMA, 400 Zone, Aurora and Akivik prospects (grouped as "ACMA") and the Lewis, South Lewis, Vortex, Rochelieu and Queen prospects (grouped as "Lewis"). The resource areas are within T. 23 N., R. 49. W., Seward Meridian, Kuskokwim and Mt. McKinley Recording Districts, Crooked Creek Mining District, Iditarod A-5 USGS 1:63,360 topography map.

#### ***Donlin Gold – Permits***

Donlin Gold LLC has maintained all of the necessary permits for exploration, camp facilities, and related activities. These permits are active with the Alaska Department of Natural Resources (hard rock exploration, temporary water use), the Army Corps of Engineers (individual 404 and nationwide 26), U.S. Bureau of Land Management (rights-of-way), Alaska State Department of Conservation (wastewater, drinking water, food handling), the Alaska Department of Fish and Game (title 16 – fish), Federal Aviation Administration (airport), and other State, Federal and private entities.

Current permits have allowed exploration and associated feasibility study supporting test work to be conducted under appropriate State and Federal laws. Development of Donlin Gold will require a considerable number of additional permits and authorizations from both Federal and State agencies. Much of the groundwork to support a successful permitting effort was undertaken prior to the submission of permit applications, and included identification and resolution of issues related to the baseline data supporting the project and familiarizing regulators and stakeholders with the proposed project.

Extensive baseline environmental information has been used to support scientific analysis and project engineering design which will be used to support the approximately 100 permit applications required for the project. Donlin Gold LLC and its predecessors have invested significant money, resources and time acquiring this information over a period of 16 years.

At the same time, Donlin Gold has implemented and continues to engage in a comprehensive program of coordinating with the Federal and State permitting agencies, as well as meeting with village representatives. The proposed project design takes into consideration many issues raised by local communities and regulatory agencies and is intended to minimize environmental impacts from construction, operations, and closure. In October 2011, a Memorandum of Understanding ("MOU") was signed with the U.S Army Corps of Engineers, which is the lead agency for compliance with the National Environmental Policy Act ("NEPA"). This MOU provides the framework for preparation of the environmental impact statement ("EIS").

On August 7, 2012, we announced that Donlin Gold LLC commenced permitting of the project by submitting a draft Plan of Operations and Section 404 of the U.S. Clean Water Act draft permit application to Federal and State regulators. The Section 404 permit application initiated the environmental review process under NEPA which involves preparation of an EIS. The U.S. Army Corps of Engineers selected an independent contractor to prepare the EIS. The Notice of Intent for the EIS was published in the Federal Register on December 14, 2012 and the NEPA public scoping process is underway.

Permit review timelines are controlled by the requirements of the Federal NEPA review and State requirements for meaningful public and agency participation.

Upon completion of the NEPA review, issuance of a positive Record of Decision (“ROD”) and final issuance of other required permits and authorizations, the project Environmental Management System (“EMS”), consisting of a number of management and maintenance plans, will be implemented. Each Federal and State permit will have compliance stipulations that require scrutiny and negotiation that can typically be resolved within 60 days of the ROD. Project delays could occur as a result of public opposition, limitations in regulatory staff resources during regulatory review, or project changes made by Donlin Gold LLC.

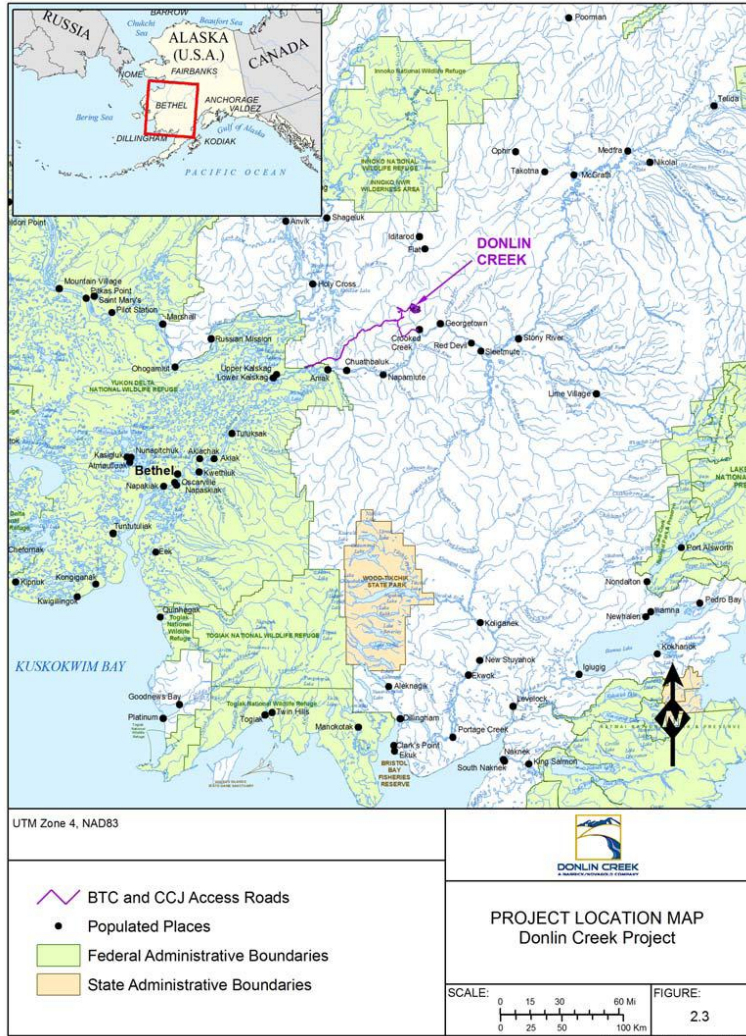
### ***Donlin Gold – Mineral Tenure***

The following information regarding mineral tenure at the Donlin Gold project was compiled by the Company and is not included in the Donlin Gold FS.

Most of the rights (surface and subsurface) are governed by ANCSA. Section 12(a) of ANCSA entitled each village corporation to select surface estate land from an area proximal to the village in an amount established by its population size. Calista receives conveyance of the subsurface when the surface estate in those lands is conveyed to the village corporation. Section 12(b) of ANCSA allocated a smaller entitlement to the regional corporations with the requirement they reallocate it to their villages as they choose. Calista receives subsurface estate when its villages receive 12(b) lands. Calista reallocated its 12(b) entitlement in 1999 according to a formula based on original village corporation enrolments.

The Donlin Gold exploration and mining lease currently includes lands leased from Calista, which holds the subsurface (mineral) estate for Native-owned lands in the region. The leased land is believed to contain 20,101 hectares (49,671 acres). Calista owns the surface estate on a portion of these lands. A separate Surface Use Agreement with TKC, which owns the surface estate of the remaining lands, grants non-exclusive surface use rights to Donlin Gold LLC. All of the lands subject to the leases have been conveyed to Calista/TKC by the Federal Government. Donlin Gold LLC has entered into negotiations with TKC regarding amendments to the TKC Surface Use Agreement.

In addition to the leased land, Donlin Gold LLC holds 242 State of Alaska mineral claims comprising 12,853 hectares (31,760 acres) primarily surrounding the leased land in the Kuskokwim and Mt. McKinley recording districts. Of these, 3 claims are on state selected lands; 158 claims are tentatively approved for conveyance from the Federal to State government subject to official surveying. These claims have not been legally surveyed. All claims are either 16.2 hectares (40 acres) or 64.8 hectares (160 acres) in size.



### ***Donlin Gold – Accessibility and Climate***

The Donlin Gold property is located in southwestern Alaska, approximately 20 km north of the village of Crooked Creek on the Kuskokwim River. The Kuskokwim River is a regional transportation route and is serviced by commercial barge lines. A 25 km long winter road, designated as an Alaska State Highway route and transportation corridor, accesses the property from the barge site at the village of Crooked Creek. The Project has an all-season, soft-sided camp with facilities to house up to 150 people. An adjacent 1,500 m long airstrip is capable of handling aircraft as large as C-130 Hercules (42,000 lb or 19,050 kg), allowing efficient shipment of personnel, some heavy equipment, and supplies. Donlin Gold can be serviced directly by charter air facilities out of both Anchorage, 450 km to the east and Aniak, 80 km to the west.

The project area is one of low topographic relief on the western flank of the Kuskokwim Mountains. Elevations range from 150 meters to 640 meters. Ridges are well rounded and easily accessible by all-terrain vehicle. Hillsides are forested with black spruce, tamarack, alder, birch and larch. Soft muskeg and discontinuous permafrost are common in poorly drained areas at lower elevations. The area has a relatively dry interior continental climate with typically less than 50 cm (20") total annual precipitation. Summer temperatures are relatively warm and may reach nearly 30°C (83°F). Minimum temperatures may fall to well below -42°C (-45°F) during the cold winter months.

The project is currently isolated from power and other public infrastructure. Studies were undertaken in 2008 to consider potential power line access to the project. Sufficient space is available to house the various facilities,



including personnel housing, stockpiles and processing plants. Ample water supply is available from surface and subsurface sources.

### ***Donlin Gold – Project History, Drilling and Exploration***

Various operators, including Western Gold Exploration and Mining Co. and Teck, undertook significant work on the property prior to 1995. Between 1995 and 2000, Placer Dome completed approximately 87,000 meters of diamond core drilling, 12,000 meters of reverse circulation (“RC”) drilling and 8,000 meters of trenching. In addition, Placer Dome undertook, amongst other things, metallurgical testing and baseline environmental studies.

From 2001 to 2002, NOVAGOLD completed approximately 39,000 meters of core drilling, 11,000 meters of RC drilling, 89 meters of geotechnical drilling and 268 meters of water monitoring holes. NOVAGOLD’s work on the property in 2002 focused on expanding the ACMA resource and defining mineralization and new resources in the adjacent prospect areas of Aurora, 400 Zone, Akivik and Vortex. In late 2002, Placer Dome elected to return as operator as per the joint venture agreement. Placer Dome’s work in 2003 included updating the resource estimation, calcium carbonate investigations and economic studies. In 2004, Placer Dome focused on environmental and geotechnical studies, including geological mapping and sampling for carbonate-rich material, and continued environmental baseline studies. Placer Dome focused on resource conversion, geotechnical investigation and environmental studies in 2005.

In May 2006, Barrick acquired control of Placer Dome. Barrick focused on resource conversion, geotechnical investigation, metallurgical and environmental studies from 2006 through 2007. Work included resource infill, geotechnical, metallurgical and condemnation drilling as well as continued environmental baseline studies, water geochemistry, peat exploration, wind power generation studies and metallurgical studies. In 2006, the project team drilled 92,804 meters of core with eight LF-70 drill rigs in 327 drill holes. Of that, 235 holes totaling 84,800 meters of core was focused on converting inferred resource to measured and indicated resource. However, significant drilling was also devoted to a broad range of pre-feasibility and feasibility objectives, including pit slope stability, metallurgy, waste rock studies, facilities condemnation and engineering, and calcium carbonate resource bulk sampling, delineation, and exploration. Barrick continued the same logging procedures and down-hole and collar survey methods as used in the past. However, ACE core orientation tools were utilized for oriented holes and the data were entered into an acQuire database. Core recovery in both mineralized and unmineralized rocks was consistently excellent and generally exceeded 90% in intrusive rocks and 80% to >95% in sedimentary rocks. True widths of mineralization are difficult to determine, but drill holes were oriented to reflect true width intercepts limited only by the equipment and geologic knowledge.

In 2007, 124 exploration holes comprising 50,562 meters of core were completed. Core recovery in both mineralized and unmineralized rocks was consistently excellent and generally exceeded 90% in intrusive rocks and 80% to >95% in sedimentary rocks. True widths of mineralization are difficult to determine, but drill holes were oriented to reflect true width intercepts limited only by the equipment and geologic knowledge.

The 2008 exploration program focused on drilling the East ACMA target area, designed to quickly determine the limits of mineralization in this expanding target area. In 2009, chilled brine geotechnical drilling was conducted to further assess permafrost in the Donlin Gold district. There was no exploration drilling during 2009 or 2010 within the resource area. No exploration drilling was conducted in 2011 and 2012 within the resource area.

### ***Donlin Gold – Geological Setting***

#### ***Regional Geology***

The Kuskokwim region of southwestern Alaska is predominately underlain by rocks of the Upper Cretaceous Kuskokwim Group that filled a subsided northeast-trending strike-slip basin between a series of amalgamated terranes. Intermediate composition volcano-plutonic complexes intrude and overlie Kuskokwim Group rocks throughout the region.

### *Local Geology*

The Donlin Gold deposits lie between two regional, northeast-trending, right lateral faults, in an area that contains numerous northeast to east–northeast- and northwest to west–northwest-trending lineaments that probably represent steeply-dipping strike-slip faults. Undivided Kuskokwim Group sedimentary rocks and granite porphyry complexes are the main rock units.

### *Property Geology*

Greywacke is dominant in the northern part of the area (“northern resource area” comprising Lewis, Queen, Rochelieu, and Akivik), while shale-rich units are common in the southern part of the area (“southern resource area” comprising South Lewis and ACMA). Overall, sedimentary structure in the northern resource area is monoclinal, whereas sedimentary rocks in the southern resource area display open easterly-trending folds.

Gold deposits are associated with an extensive Late Cretaceous–Early Tertiary gold–arsenic–antimony–mercury hydrothermal system. Gold-bearing zones exhibit strong structural and host rock control along north–northeast-trending fracture zones and are best developed where those zones intersect relatively competent host rocks. Mineralized material is most abundant in the igneous rocks, but sedimentary rocks are also mineralized within strong fracture zones.

### ***Donlin Gold – Exploration***

#### *Grids and Surveys*

Drill hole collar and trench locations were tied to a surveyed ground control net using conventional theodolite survey methods from 1988 through 1993. Drill hole collars were surveyed with Brunton compass and hip chain in 1995.

A Motorola GPS system was used in early 1996 to establish survey control monuments and to survey some drill collars.

Traditional survey methods were subsequently used to locate all 1995–1999 and 2001 drill collars and trenches. An Ashtech Promark2 GPS post-processed system that consists of a base unit and up to two roving units was introduced in 2002.

#### *Geological Mapping*

A number of geological mapping programs have been completed, using air photograph bases, at 1:20,000 and 1:10,000 regional scales. Mapping was primarily completed during the mid to late 1990s.

#### *Geophysical Surveys*

An airborne magnetic survey was flown on behalf of WestGold in 1988–1989. Subsequently, ground electromagnetic, resistivity and IP surveys were completed at regional and prospect scale to aid in drill targeting.

#### *Geochemical Sampling*

Geochemical sampling to support exploration-stage work programs has been undertaken as summarized in the table below. This work has been superseded by the drill programs completed on the property.

#### *Trenching*

Trenching programs were completed as part of exploration-stage activities. Trench data are used to construct the geological model.

### Exploration Summary Table, Exclusive of Drilling<sup>1</sup>

Year	Company	Work Performed	Results
1909 to 1956	Various prospectors and placer miners	Gold discovered on Donlin Gold in 1909. Placer mining by hand, underground, and hydraulic methods.	Total placer gold production of approximately 30,000 oz.
1970s to present	Robert Lyman and heirs	Resumed sluice mining in Donlin Gold area and placer mined Snow Gulch.	First year of mining Snow Gulch produced best results, with 800 oz Au recovered. Donlin Gold LLC is presently negotiating with the Lyman family to consolidate the land package around the proposed mine.
1974, 1975	Resource Associates of Alaska (“RAA”)	Regional mineral potential evaluation for Calista Corporation. Soil grid and three bulldozer trenches dug in Snow Gulch area.	Soil, rock, and vein samples have anomalous gold values. Trench rock sample results range from 2 g/t Au to 20 g/t Au.
1984 to 1987	Calista Corporation	Minor work. Various mining company geologists including Cominco and Kennecott visit property.	
1986	Lyman Resources	Auger drilling for placer evaluation finds abundant gray, sulfidiferous clay near Quartz Gulch.	Assays of cuttings average over 7 g/t Au. Initial discovery of Far Side (Carolyn) prospect.
1987	Calista Corporation	Rock sampling of ridge tops and auger drill sampling of Far Side prospect.	Anomalous gold values from auger holes: best result = 9.7 g/t Au.
1988 to 1989	Western Gold Exploration and Mining Co. (WestGold)	Airborne geophysics, geological mapping, and soil sampling over most of Project area. Total of 13,525 m of D9 Cat trenching at all prospects. Over 15,000 soil, rock chip, and auger samples collected. Drilling included 3,106 ft of AX core drilling, 404 m in 239 auger holes, and 10,423 m of RC drilling (125 holes). First metallurgical tests and petrographic work.	Initial work identified eight prospects with encouraging geology ± Au values (Snow, Dome, Quartz, Carolyn, Queen, Upper Lewis, Lower Lewis, and Rochelieu). Drilling at most of these prospects led to identification of the Lewis areas as having the best bulk-mineable potential. Mineral Resource estimate completed.
1993	Teck Exploration Ltd.	D-9 Cat trenching (1,400 m) and two 500 m soil lines in Lewis area. Petrographic, fluid inclusion, and metallurgical work.	Identified new mineralized areas, updated Mineral Resource estimate.
1995 to 2000	Placer Dome	87,383 m of core, 11,909 m of RC drilling and 8,493 m of trenching. Environmental monitoring and assessment.	Drilled the American Creek magnetic anomaly (“ACMA”), discovered the ACMA deposit. Numerous Mineral Resource estimation iterations.
2001 to 2002	NOVAGOLD	46,495 m of core, 38,022 ft of RC drilling, 89.5 m of geotechnical drilling, and 268 m of water monitoring holes.	Filed a preliminary assessment report on the Project. Updated resource estimate.
2003 to 2005	Donlin Gold Joint Venture	25,448 m of core and 5,979 m of RC drilling. Calcium carbonate exploration drilling; IP lines for facility condemnation studies.	Infill drilled throughout the resource area. Discovered a calcium carbonate resource. Poor quality IP data.
2006	Donlin Gold Joint Venture	92,804 m of core drilling to support Mineral Resource classification conversion, slope stability, metallurgy, waste rock, carbonate exploration, facilities, and port road studies.	Geological model and Mineral Resource update.
2007	Donlin Gold Joint Venture	Core drilling totalled 75,257 m and included resource delineation, geotechnical and engineering, and carbonate exploration. 13 RC holes for monitor wells and pit pump tests totalled 1,043 m.	Improved pit slope parameters, positive hydrogeological results. Carbonate exploration was negative. Updated Mineral Resource estimate. Completed feasibility study with positive results.
2008	Donlin Gold LLC	108 core holes totalling 33,425 m for exploration and facility related geotechnical and condemnation studies. Updated resource models. Metallurgical test work: flotation variability and CN leach. 54 test pits and 37 auger holes were also completed for overburden characterization.	Resource expansion indicated for East ACMA. CN leach resource potential indicated for the main resource area, Snow, and Dome prospects. Facility sites successfully condemned. Updated resource estimates utilizing applicable data through 2007
2009	Donlin Gold LLC	19 geotechnical core holes totalling 950 m in facility sites and to address hydrology.	
2010	Donlin Gold LLC	Six geotechnical core holes totalling 2,090 m to evaluate slope stability of expanded pit. Also drilled 90 auger holes totalling 585 m and dug 59 test pits to further evaluate overburden conditions and gravel supplies within TSF area.	Pit slope stability of new pit design remained acceptable. Evaluation of construction suitability of surficial materials in TSF is ongoing.

Notes: (1) No exploration drilling was conducted in 2011 and 2012 within the resource area.

### *Geotechnical and Hydrology*

A number of geotechnical and hydrological studies have been completed in support of feasibility and environmental reports for Donlin Gold.

Rowland Engineering Consultants performed the geotechnical assessments for the geotechnical engineering for access roads between port site, wind farm, airstrip, and plant site and geotechnical investigations to support port site, airstrip, wind farm, and interconnecting roads.

The hydrological model is based on drill data. Lorax Environmental (“Lorax”) performed water quality modeling for the planned mine pit lake. BGC, Inc. and CEMI provided hydrologic studies, design criteria and associated testwork for the water treatment plant requirements during construction, operations, and closure.

### *Petrographic and Other Studies*

There have been a number of studies performed on the Donlin Gold mineralization, including fluid inclusion studies, radiometric age dating ( $^{40}\text{Ar}/^{39}\text{Ar}$ ), petrographic descriptions of rock types based on thin sections and electron microprobe data, whole rock analyses, trace element analyses, and sulfur, carbon, oxygen, and hydrogen stable isotope studies.

Technical papers on the geology of the region, the deposit, and on the mineralization have been presented in peer-reviewed journals, and at conferences by Project personnel and personnel from the United States Geological Survey.

### *Exploration Potential*

The Mineral Resource defined in this Report is confined to a small portion of the Property. NOVAGOLD believes there is considerable potential to increase the Mineral Resources at Donlin Gold. Numerous other targets have been identified along the five mile-long mineralized gold trend, and are defined by surface sampling and various historical drill holes containing significant gold values.

Exploration potential in the vicinity of the open pit design in the Donlin Gold FS includes extensions along strike to the East ACMA, Lewis, and Crooked Creek dike areas. Mineralization remains open at depth under the current pit limits. Mineralization also remains open to the north of the planned pit and has been tested by shallow trenching and soil sampling, with limited drilling undertaken to date.

The Donlin Gold project also retains exploration potential outside the areas that have been the subject of the mine design in the feasibility study. Gold mineralization is associated with an overall north–northeasterly-trending high level dike/sill complex that has been outlined in the regional aero-magnetics as a subtle 50 nT magnetic low. The zone, approximately 8 km long, and 4 km wide, consists of a northern, dike-dominated area, and a southern, more sill-dominated area.

The ACMA/Lewis area is the southern portion of this plan. No drilling has been performed in the northern portion since initial exploration activities, and some isolated drilling in the 1990s. Exploration targets identified by NOVAGOLD for additional work include Far Side, Duqum, Snow, Quartz, Queen, Dome, and Ophir.

### ***Donlin Gold – Mineralization***

Southeast-dipping north–northeast-oriented fracture zones are the primary control on gold bearing vein distribution within the north-northeast mineralized corridors. Composite vein zones or mineralized corridors range up to 30 m in width and extend for hundreds of meters along strike. Intrusive rocks and to a lesser extent competent massive greywacke are the most favored host rocks, and act as a secondary control on the mineralization. Gold distribution in the deposit closely mimics the intrusive rocks, which contain about 74% of the Mineral Resource. Structural zones in competent sedimentary units account for the remaining 26%.

Mineralized material in the ACMA or sill-dominant part of the deposit tends to be higher grade and more continuous compared to Lewis and other dike dominant areas of the deposit. The most extensive and highest grade mineralized

zones in ACMA are located where “feeder” dikes intersect the sill sequence. Mineralized zones follow steeply-dipping dikes and sills beyond the depth limits of current drilling, or over a vertical range of at least 945 m.

#### *Veins*

Multiple vein types apparently formed from a single hydrothermal fluid. Vein mineral assemblages show a continuum from pyrite through arsenopyrite, native arsenic, and realgar, rather than discrete paragenetic stages.

Stibnite is ubiquitous in all vein types but seems to increase in later vein stages. Gold grade and vein quartz generally increase from vein types V1 through V3 and then markedly decrease in V4, a carbonate-dominant vein type. Reflectance spectroscopy was routinely used to quantitatively define specific clay, illite, and carbonate alteration zones in intrusive rocks. Proximal to distal silicate alteration zones and carbonate and graphite alteration products are associated with the ACMA–Lewis hydrothermal system; silica is largely restricted to veins and is not an important wall rock alteration product.

#### *Mineralization*

Gold-bearing sulfides occur in both veins and disseminated zones in mafic igneous bodies, rhyodacite dikes and sills, and sedimentary rocks. Quartz-carbonate-sulfide (pyrite, stibnite, and arsenopyrite) veins are the primary mineralized features, but gold also occurs in thin, discontinuous sulfide fracture fillings.

Veins seldom exceed half an inch wide; vein density can range up to 5 to 10 per meter; and vein zones vary from 2 m to 35 m wide. Individual vein zones generally display limited lateral and vertical continuity. However, swarms of many anastomosing vein zones form larger mineralized corridors characterized by extensive lateral and depth continuity.

The ACMA–Lewis style of mineralization is consistent with a low-temperature, low-sulfidation, orogenic gold model involving a strongly reduced, CO<sub>2</sub>-rich, weakly acidic, bisulfide-complexed, gold-bearing fluid. The deposit(s) is characterized by an Au–As–Sb–Hg geochemical signature, quartz ± carbonate and sulfide veins, and disseminated sulfide minerals. Common minerals observed in mineralized zones include pyrite, marcasite, arsenopyrite, stibnite, realgar, and native arsenic.

Pyrite is the most common mineral and appears to be the earliest sulfide phase. It is ubiquitous in the rhyodacite and occurs as disseminated grains and micro-fracture fillings. Disseminated pyrite in the sedimentary rocks occurs as fine to coarse grains (up to 5 mm across) preferentially concentrated near dike/sill contacts or as syngenetic pyrite along sedimentary laminations. Relative abundance of pyrite is not an indicator of gold grade.

Broad selvages of disseminated gold-bearing arsenopyrite and pyrite are found adjacent to veins and vein zones. Arsenopyrite commonly replaces pyrite and typically occurs as fine to very fine grains disseminated in intrusive rocks and as coarser aggregates in fractures and quartz–carbonate veins. In practice, fine-grained arsenopyrite can be difficult to distinguish from ubiquitous disseminated graphite. Disseminated sulfides typically replace biotite or other mafic mineral sites and rim or replace illite–clay–carbonate-altered feldspar phenocrysts.

Native arsenic occurs as dark grey, granular, massive to botryoidal grains that often fill vugs in quartz–carbonate ± sulfide veins and other open spaces in breccias or fractures. Realgar occurs in late, quartz–sulfide veins. Stibnite commonly occurs as disseminated grains and masses within carbonate veins and occasionally as interlocking needles in open spaces within quartz–carbonate veins and on fracture surfaces. Other accessory sulfides and sulphosalts observed in the deposit include marcasite, pyrrhotite, chalcopyrite, chalcocite, covellite, bornite, tennantite, tetrahedrite, galena, sphalerite, and boulangerite. Pyrrhotite, stibnite, and boulangerite are paragenetically late and appear to postdate most deformation while chalcopyrite, tennantite–tetrahedrite, pyrite, and arsenopyrite are both pre- and post-deformation.

#### *Minor Elements and Deleterious Materials*

The most abundant minor elements associated with gold-bearing material are iron, arsenic, antimony, and sulfur. They are contained primarily in the mineral suite associated with hydrothermal deposition of gold, including pyrite, arsenopyrite, realgar, native arsenic, and stibnite. Minor hydrothermal pyrrhotite, marcasite and syngenetic or sedimentary pyrite, also account for some of the iron and sulfur.

Much less abundant elements such as copper, lead, and zinc are contained in relatively rare or accessory hydrothermal mineral species observed in the deposit, including chalcopyrite, chalcocite, covellite, tennantite, tetrahedrite, bornite, native copper, galena, sphalerite, and boulangerite. Small amounts of silver in the deposit are most likely accommodated within the crystal structures of tetrahedrite and galena, and to a lesser extent in some of the other sulfides. Molybdenum occurs in rare molybdenite. Very minor nickel in the secondary sulfide mineral millerite and minor cobalt in various secondary minerals have been observed in sedimentary rocks. The Ni and Co probably have a sedimentary origin.

Three elements that have particular processing significance are mercury, chlorine, and fluorine. Graphitic carbon and carbonate minerals also negatively affect the metallurgical process.

Most of the Hg occurs as colloidal or microscopic cinnabar inclusions in finer-grained sulfides. Pyrite accounts for about 66% of the Hg in sulfide concentrates, followed by marcasite (18%) and arsenopyrite (3.6%). Elevated Hg is also associated with realgar. Macroscopic cinnabar (“HgS”) is generally absent or exceedingly rare in the area of the Mineral Resource estimate.

Chlorine in chloride ions can dissolve gold during pressure oxidation (“POX”) as AuCl<sub>3</sub>. This gold compound is “preg-robbed,” or adsorbed, by carbonaceous matter and may become incorporated in iron precipitates, resulting in gold losses up to 10%. Fluorine is very corrosive in the POX process. Process mineralogy studies show that muscovite and apatite are the principal sources of chlorine and fluorine in sulfide concentrates and that the relatively more abundant muscovite accounts for most of the chlorine (59%) and fluorine (93%). Muscovite is normally a rock-forming mineral, but it can also form during hydrothermal alteration along with structurally similar alteration products (illite) associated with gold-bearing rocks. Apatite is commonly found as an accessory mineral in igneous and sedimentary rocks and as a hydrothermal alteration or vein mineral.

Graphitic carbon is preg-robbing and relatively abundant in the sedimentary rocks and variably disseminated in the intrusive rocks as a possible alteration product. Sulfide–carbonate binary particles tend not to float well. Carbonate minerals occur as both pervasive, fine-grained hydrothermal alteration products, often intergrown with fine disseminated sulfide, and also in carbonate and quartz–carbonate ± sulfide veins. Common carbonate minerals include calcite, ankerite, dolomite, and very minor siderite.

### ***Donlin Gold – Sample Preparation and Analysis***

#### ***Drill Hole Sample Preparation***

Prior to 2006

Sample preparation, quality assurance and quality control for assays through 2002 were analyzed. The assays and the database are suitable for resource estimation. No sample collection occurred within the mineral resource areas between 2003 and the beginning of 2005.

2006–2010

Most of the core samples were crushed at the Donlin Gold camp facility. Samples of core split in Anchorage were shipped to an ALS Chemex preparation lab for crushing, pulverizing and assaying.

The Donlin Gold camp preparation lab is housed in a heated steel building. A partition separates the core cutting area from the crushing area. The crushing side of the operation is equipped with a dust control ventilation system to minimize contamination. The camp sample preparation procedure consists of the following steps:

- The entire bagged sample is dried in an oven heated to 90°C to 95°C for 12 hours.
- The sample and sample tag are placed into trays for processing.
- Blank samples (one of three QA/QC control samples) are inserted into the sample stream.
- The sample is crushed in a TM Terminator jaw crusher until the end product passes 70% minus 10 mesh (2 mm). Sieve analyses are performed daily to check crush quality and the crusher jaws are adjusted as necessary. The crushers are cleaned with blank material four times per 12-hour shift and before a new hole is started. Cutting lists also specify special cleaning frequency when unusually sulphide-rich material is processed.

- Crushed sample is then passed through a riffle splitter four to six times to obtain a nominal 9 oz (250 g) split. This subsample is put into a numbered pulp bag, and the remainder, or coarse reject, is put back into the original sample bag. The splitter and sample pans are cleaned with compressed air.
- Two additional control samples—standard reference material (SRM) and a duplicate split of crushed sample—are inserted as specified on the cutting list prepared by the geologist. Two of each control sample type, including SRM, duplicates, and blanks, are included in every batch of 78. The blank is prepared by processing a sample from a bin of gravel-size crushed rock through the jaw crusher and riffle-splitting it to approximately 7 oz (200 g). When a duplicate is required, the crushed core sample is passed once through the riffle splitter, and each half is split repeatedly to obtain an approximate 7 oz (200 g) sample.

#### *Sample Analysis*

Final sample preparation and chemical analysis for gold, sulfur and trace element suites were completed at ALS Chemex in Vancouver, an ISO9001:2000 accredited laboratory. The preparation consists of the following:

- Splits of crushed core were reduced to rock flour or “pulp” (better than 85% passing minus 200 mesh or 75 µm) in a ring-and-puck grinding mill.
- A 1 oz (30 g) subsample of the pulp was assayed by fire assay-atomic absorption spectroscopy (AAS). Before 2007, the primary gold assay method was Au-AA23, which had an analytical range of 0.005 to 10 g/t Au. The Au-AA25 gold assay method was initiated in 2007 and had an analytical range of 0.01 to 100 g/t Au. This switch was made to reduce the cost and time delay associated with reassaying samples with values above the 10 g/t Au analytical limit.
- Samples that exceeded the analytical limit for a given method were re-assayed by fire-assay and gravimetric finish or “ore grade” fire-assay AAS. ALS Chemex determined the sulphur content of each sample according to the Leco method. The Leco method was also used to analyze samples flagged for acid base accounting (ABA) for carbon content as well as to determine neutralization potential (NP) and acid potential (AP) according to the industry-standard ALS Chemex ABA procedure.
- Most trace and major element data for drill holes located within the resource model boundary were acquired prior to the 2005 program by various labs using industry-standard acid digestions followed by atomic absorption (AA) or inductively coupled plasma (ICP) instrumental determinations. Subsequent multi-element trace analyses were performed at ALS Chemex using aqua regia or four-acid digestions followed by ICP ± mass spectrometry.

#### *SG Determination*

- Samples of whole core approximately 2" to 4" (5 to 10 cm) in length were first weighed dry and then weighed in water. The dry weighing tray assembly was replaced with a wire basket and the sample was submerged in a five-gallon bucket of water. A small tare weight (to compensate for the removed weighing tray) was attached midway up the wire assembly to facilitate alternating wet and dry measurements.
- The formula for SG calculation was:  $\text{Weight in Air} / (\text{Weight in Air} - \text{Weight in Water})$ . The specific gravities were automatically computed in acQuire when the weights were entered into the database.
- Measurements were collected for all rock types at a minimum frequency of one sample from all logged rock type intervals and one sample every 49.2 to 65.6 ft (15 to 20 m) in the longer rock unit intervals. Mineralized rock takes precedence over unmineralized rock in a given rock type interval, but sufficient measurements of unmineralized material were also collected to document potential variability.

No exploration drilling was conducted in 2011 and 2012 within the resource area.

#### ***Donlin Gold – Security and Sample Transport***

##### *Project Site*

Core samples are transported from the field and are brought to the yard adjacent to the geology office and logging tents at the end of each drill shift. Core storage is secure because Donlin Gold is a remote camp and access is strictly controlled. Unauthorized camp personnel have generally been excluded from the core cutting and sample preparation building, but strict access procedures were initiated following an audit by Barrick of the sample preparation lab in mid-2006. Assay splits of prepared core, along with the control samples, are packed in a shipping bag, secured with a numbered security seal, and sealed in boxes for shipment. The coarse rejects and remaining split

core are returned to a storage yard south of the airstrip for long-term storage. The sample shipment procedure is as follows:

- Boxed assay splits are flown from the Donlin Gold camp to Aniak airport via Vanderpool Flying Service.
- Samples are shipped from Aniak via Frontier Flying Service to the ALS Chemex lab facility in Fairbanks, Alaska. All sample shipments are accompanied by a Frontier Flying Service waybill. This allows each sample to be tracked from camp to ALS Chemex.
- The samples are logged into the ALS Chemex data system in Fairbanks before shipment to the ALS Chemex Vancouver (or other ALS Chemex facility), where they are pulverized and assayed.
- The Fairbanks lab returns a custody form that reports on the condition of security seals.

#### *Anchorage Security and Sample Transportation*

In December 2006 and January 2007, a total of approximately 39,360 ft (12,000 m) of whole core was shipped to an off-site logging and core-splitting facility in Anchorage. This facility was managed by Alaska Earth Science (AES) and staffed with both AES and Barrick personnel to ensure that logging, sampling, core splitting, and sample shipment procedures were identical to those used at the Donlin site facility.

#### ***Donlin Gold – Assay Quality Assurance and Quality Control (“QA/QC”)***

##### *1995–2002*

Beginning with Placer Dome in 1995 and continuing with NOVAGOLD through 2002, a systematic and comprehensive program of QA/QC has been employed for rock sampling and definition drilling programs at Donlin Gold. The QA/QC protocols include the random and blind insertion of the following:

- standard reference materials (SRMs) to monitor the accuracy of lab results;
- coarse reject duplicates to monitor analytical precision; and
- blank control samples to monitor contamination during sample preparation and analysis.

From 1996 to 2002, SRMs and coarse reject duplicates were inserted at an average rate of one per 24 samples, and blanks were inserted at an average rate of one per 25 samples. Almost all samples associated with SRM and blank control samples that returned values beyond acceptable tolerance limits were re-assayed until the control sample results were either acceptable or validated by duplication.

##### *2005-2006 QA/QC Protocol*

No resource delineation drilling was conducted in 2003 and 2004. Placer Dome implemented a slightly modified QA/QC protocol in 2005, which Barrick continued in 2006. Three QA/QC samples, consisting of one blank, one coarse reject duplicate, and one SRM, were randomly inserted into every block of 20 sample numbers. Thus, every block of 20 sample numbers contained 17 drill hole samples and 3 QA/QC control samples.

##### *2007-2010 QA/QC Protocol*

The batch size submitted to ALS Chemex was increased from 20 samples to 78 in 2007. To avoid sample mixing with products from other sources in the fusion process, the ALS Chemex protocol was based on a fusion batch size of 84 samples, where the lab added six internal control samples, leaving space for 78 client samples in a given batch. Each batch of 78 samples shipped to ALS Chemex for sample preparation and analysis contained 9 control samples (12%) consisting of 3 each of standards, blanks, and crushed duplicates. Spacing of the SRMs within the batch was left to the judgment of the geologist. Up to 5% field duplicates (remaining half split of core) were added to the sample batch at the discretion of the geologists for geologic reasons.

No exploration drilling was conducted in 2011 and 2012 within the resource area.

##### *Standard Reference Material and Blank Material*

There is no information available on SRMs used prior to the 2002 drilling campaign. Two standards, (Std-C and Std-D), were used during the 2002 drill campaign.

Standard reference materials from the 2002 campaign were used at the beginning of the 2005 season. Additional reference material was purchased from Analytical Solutions (OREAS 6Pb and OREAS 7Pb) and CDN Laboratories



(CDN-GS-3) when these SRMs were depleted. After the 2005 season, two additional standards (Std-G and Std-H) were created from Donlin Gold coarse reject material. These two new standards and CDNGS3, were used during the 2006 season. The new standards created from coarse reject material were certified by Barrick's chief geochemist after industry accepted round robin assay and statistical analyses.

Nine new "matrix matched" SRMs of varying gold grade were added in early 2007, and the older standards were eventually phased out. The new SRMs were created from coarse reject samples from throughout the deposit. Composites of this material were pulverized and homogenized at CDN Laboratories in Vancouver, BC. A Barrick geochemist certified the 2007 SRMs after industry-accepted round-robin assay and statistical analyses. The final SRMs included four each from unoxidized igneous and sedimentary host rocks and one oxidized igneous rock SRM.

#### *Blank Materials*

Blank material consisting of washed river gravel was purchased from Anchorage Sand and Gravel through early 2006 and then replaced by granite landscape chips purchased from Lowe's in Anchorage for all subsequent drill campaigns.

#### *QA/QC Results*

Sample collection, preparation, analysis and security for all Placer Dome, NOVAGOLD, Barrick, DCJV, and Donlin Gold core drill programs are in line with industry-standard methods for gold deposits:

- Drill programs included insertion of blank, duplicate and standard reference material samples
- QA/QC program results do not indicate any problems with the analytical programs
- Data is subject to validation, which includes checks on surveys, collar co-ordinates, lithology data, and assay data. The checks are appropriate, and consistent with industry standards
- Independent data audits have been conducted, and indicate that the sample collection and database entry procedures are acceptable
- All core has been catalogued and stored in designated areas

AMEC is of the opinion that the quality of the gold analytical data from the Placer Dome, NOVAGOLD, Barrick, DCJV, and Donlin Gold drill programs are sufficiently reliable to support Mineral Resource and Mineral reserve estimation without limitations on Mineral Resource confidence categories.

#### ***Donlin Gold – Data Verification***

##### *Prior to 2005 Drilling Campaign*

As a test of data integrity, the data used to estimate the January 2002 Donlin Gold mineral resources were checked several ways and it was concluded that the assay and survey database was sufficiently free of error to be adequate for mineral resource estimation.

##### *2005 Drilling Campaign*

NOVAGOLD conducted a 100% check of 2005 drill hole Au assays within the resource area against electronic assay certificates. An error rate of less than 1.5% was uncovered. NOVAGOLD also checked the collar and down-hole survey data. Electronic down-hole survey files were read for the drill holes and compared to those stored in the resource database. As a result of the verification, NOVAGOLD in 2005 considered that the database at the time was adequate to support Mineral Resource estimation.

##### *2006 and 2007 Drilling Campaigns*

Drilling data were captured using acQuire software and stored in MS SQL Server. Geologic logs, collar and down-hole survey data were entered on site using acQuire data-entry objects. Assay data were imported directly from electronic files provided by the laboratories. The master Donlin database was moved from the Donlin camp to the Anchorage office in the middle of 2006, and about 50% of the 2006 assay data were imported directly into the master database in Anchorage. The acQuire database was converted from the standard acQuire data-model to the more robust acQuire "Corp" data-model to aid in data verification. Further verification of legacy data took place by Barrick when data were migrated to the new data-model.

NOVAGOLD verified the drill hole data in the following manner:

#### *Collar Surveys*

Collar survey information is transferred electronically from the electronic Ashtech survey instrument to the database, minimizing the chance of input error. The Ashtech output files and geologic logs were compared to 5 % of the electronic collar surveys. There was one unexplained 20-cm discrepancy between the elevation file and the database. Strangely, the error rate against the geologic logs was much higher; most collar coordinates were off by several meters. NOVAGOLD does not know the reason but it is possible that the geologic logs have the proposed coordinate and not the final coordinate written on them, or there are transcription errors from the electronic database to the paper log. NOVAGOLD is satisfied that the collar surveys from the Ashtech data files are sufficiently error free to be used for resource estimation.

#### *Down-hole Surveys*

Down-hole surveys are transcribed by hand from the survey instrument to paper survey forms. The forms in turn are entered into the electronic database manually. Ten percent of the drill holes were checked and an unacceptable error rate of 4.4% was measured. The primary error was that the down-hole survey was omitted from the electronic database. Other errors were incorrect azimuth conversion, incorrect feet to meter conversion, incorrect depth and incorrect priority code. Despite the high error rate, the magnitude of the errors was small; therefore, in NOVAGOLD's opinion the impact on the estimation of grade will be minimal.

#### *Assays*

Electronic assay certificates made available by Barrick were merged into a single file and, by matching on sample number, were directly compared to the electronic database. For 2006 drilling, 70% of the assays were compared and an acceptable discrepancy rate of 0.4% was measured. For 2007, 99% of the assays were compared to the electronic assay certificates and a discrepancy rate of 1% was measured. NOVAGOLD believes that the assay database is sufficiently error free to be used for resource estimation.

#### *2008 through 2010 Drilling Campaigns*

AMEC reviewed the March 2008 through December 2010 QAQC information for the drill hole data used to construct the DC9 model from with the following results:

- Certified Reference Materials Results: AMEC reviewed the results for 691 CRMs from 2,078 samples and calculated that the relative bias for all CRMs is within the acceptable limits of 5% relative bias (mean/best value)/1).
- Blank Material Results: AMEC reviewed the results for 694 blank samples submitted for analysis. There were 4 samples which returned higher than allowed gold assays which may be due in part to mislabelled samples. This is an infrequent occurrence and will not affect project assay results, thus AMEC considers that there is no significant risk to the resource estimate.
- Coarse Reject Duplicate Results: The absolute value of relative differences ( $AVRD = |pair\ difference|/pair\ mean$ ) of the crush duplicate pairs that have pair means greater than 1 ppm Au show that 90% of these pairs agree within 15 percent; this indicates acceptable precision is achieved thus the current sample preparation procedure (crushing and pulverizing).

AMEC considers that a reasonable level of verification has been completed during the 2011 data review, and that, between this review, and reviews completed by NOVAGOLD in 2007 and 2005, and AMEC in 2002, no material issues would have been left unidentified from the verification programs undertaken.

The QPs, who rely upon this work, have reviewed the appropriate reports, and are of the opinion that the data verification programs undertaken on the data collected from the project adequately reflect deposit dimensions, true widths of mineralization, and the style of the deposits, and adequately support the geological interpretations, the analytical and database quality.

No exploration drilling was conducted in 2011 and 2012 within the resource area.

### ***Donlin Gold – Geological Setting***

The Donlin Gold project geology consists of a thick sequence of Cretaceous Kuskokwim Group sedimentary rocks intruded by late Cretaceous to early Tertiary felsic intrusive rocks. The sedimentary section consists of inter-bedded greywacke, shale and siltstone. The overall bedding strikes west-northwest and generally dips shallowly to the south, though in the ACMA area and further south of Lewis an important overturned fold is present. Thin inter-bedded shales within the Kuskokwim group are an important control on the emplacement of intrusive sills. The intrusive units, both dikes and sills, are the primary hosts of mineralization and consist of porphyritic rhyodacite and rhyolite and lesser mafic dikes and sills. Sills predominate in the ACMA and southern Lewis areas, whereas dikes dominate in the North Lewis area. The dikes and sills range from a few meters to more than 60 meters in width.

The Donlin Gold project area lies between two major north-east trending right lateral faults found in southwest Alaska: the Denali-Farewell fault system to the south and the Iditarod-Nixon Fork fault system to the north. The region contains abundant northeast to east-northeast and northwest to west-northwest trending lineaments that likely represent steeply dipping strike slip faults. Displacement along the main faults in the Donlin Gold region is inferred to be right lateral on northeast structures and left lateral on northwest faults. Because of the paucity of outcrop along the main faults in the region, the inferred location and sense of displacement is speculative.

### ***Donlin Gold – Alteration and Mineralization***

Gold mineralization at Donlin Gold consists of low temperature epithermal assemblage characterized by pyrite, auriferous arsenopyrite, stibnite, native arsenic and realgar occurring as both north-northeast trending extensional vein/fracture zones and disseminations. Gold grades are best developed where structural zones intersect favorable host lithologies, specifically the intrusive dikes and sills, and the more massive greywacke units within the sedimentary section. Disseminated mineralization is also locally present with highest concentrations typically adjacent to veins and vein zones.

The orientation of the mineralization is consistently north-northeast of the compressive structural regime. Intrusive dikes which feed the voluminous sill package present at Donlin Gold also strike north-northeast. The gold occurs primarily in the lattice structure of arsenopyrite. Realgar, native arsenic and stibnite can be found generally associated with the higher-grade gold mineralization. Alteration is characterized by the extensive development of illite, kaolinite and ankerite.

### ***Donlin Gold – Metallurgy***

Metallurgical testwork, under the direction of Barrick personnel, appears to have been completed to sufficient detail to support a feasibility study. Gold is mainly carried by arsenopyrite. Variation is observed in processing behavior between intrusive rocks and sedimentary rocks, but less so between the geographical sources.

Accordingly, process testing has been directed towards development of the following conceptual flowsheet:

- concentration by flotation;
- high pressure oxidation in an autoclave;
- carbon-in-leach (“CIL”) cyanidation of the concentrate;
- carbon strip and regeneration circuits;
- gold electrowinning; and
- refining and production of doré bars.

This processing concept incorporates proven commercial unit operations. No issues have been identified to date that might lead to economic performance of this sequence that would be substantially different from similar processes in commercial operation today.

**Donlin Gold – Resource and Reserve Estimate**

The mineral reserves for the Donlin Gold project were classified using criteria appropriate under the CIM Definition Standards with an effective date of July 11, 2011. The mineral reserves are summarized in the table below.

**Proven and Probable Donlin Gold Mineral Reserve Estimate**

<b>Reserve Category</b>	<b>Tonnes (kt)</b>	<b>Gold (g/t)</b>	<b>Contained Gold (kozs)</b>
<b>Proven</b>	7,683	2.32	573
<b>Probable</b>	497,128	2.08	33,276
<b>Total Proven &amp; Probable</b>	<b>504,811</b>	<b>2.09</b>	<b>33,849</b>

Notes:

- (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  $2.1874 \times (S\%) + 10.65$  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 rocktype, 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°. See "Cautionary Note to United States Investors".
- (2) Mineral Reserves are reported using an optimized net sales return value based on the following equation:  $\text{net sales return} = \text{Au grade} * \text{Recovery} * (\text{US}\$975 - (1.78 + (\text{US}\$975 - 1.78) * 0.045)) - (10.65 + 2.1874 * (S\%) + 2.27 + 0.19)$  and reported in US\$/tonne.
- (3) The life of mine strip ratio is 5.48. The assumed life-of-mine throughput rate is 53.5 kt/d.
- (4) Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content
- (5) Mineral reserves are reported on a 100% basis. NOVAGOLD and Barrick each own 50% of the Donlin Gold project. Tonnage and grade measurements are in metric units. Contained gold ounces are reported as troy ounces.
- (6) 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 "Cautionary Note to United States Investors."

Mineral Reserves have been estimated using a long-term gold price assumption of US\$975/oz. Mineral resources are based on a Whittle™ pit optimized for all Measured, Indicated, and Inferred blocks assuming a gold selling price of US\$1,200/oz and are inclusive of reserves.

Mineral resources were classified using criteria appropriate under the CIM Definition Standards by application of the NSR-based cut-off grade that incorporated mining and recovery parameters, and constraint of the mineral resources to a pit shell based on commodity prices. The mineral resources have an effective date of July 11, 2011. The mineral resources are summarized in the table below.

**Donlin Gold Measured and Indicated Resource (Inclusive of Reserves)  
and Inferred Mineral Resource Estimate**

<b>Resource Category</b>	<b>Tonnes (kt)</b>	<b>Gold (g/t)</b>	<b>Contained Gold (kozs)</b>
Measured	7,731	2.52	626
Indicated	533,607	2.24	38,380
<b>Total Measured + Indicated</b>	<b>541,337</b>	<b>2.24</b>	<b>39,007</b>
<b>Inferred</b>	<b>92,216</b>	<b>2.02</b>	<b>5,993</b>

Notes:

- (1) Mineral Resources are inclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. See "Cautionary Note to United States Investors".
- (2) 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  $2.1874 * (\text{sulphur grade}) + 10.65$ ; administration cost

of US\$2.29/t; refining, freight & marketing (selling costs) of US\$1.85/oz recovered; stockpile rehandle costs of US\$0.20/t processed assuming that 45% of mill feed is rehandled; variable royalty rate, based on royalty of 4.5% \* (Au price – selling cost).

- (3) Mineral Resources have been estimated using a constant net sales return cut-off of US\$0.001/t milled. The net sales return cut-off was calculated using the formula:  $NSR = Au\ grade * Recovery * (US\$1,200 - (1.85 + (US\$1,200 - 1.85) * 0.045)) - (10.65 + 2.1874 * (S\%) + 2.29 + 0.20)$  and reported in US\$/tonne.
- (4) Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.
- (5) Tonnage and grade measurements are in metric units. Contained gold ounces are reported as troy ounces. See “*Cautionary Note to United States Investors*”.

### ***Donlin Gold – 2008 Program***

In 2008, Donlin Gold LLC drilled 108 HQ/NQ core holes totaling 33,425 m, as well as auger holes and test pits for geotechnical studies, soil, stream sediment and stream concentrate geochemical samples. The 2008 exploration program focused on drilling the East ACMA target area, designed to quickly determine the limits of mineralization in this expanding target area. The East ACMA area is highly prospective for additional resource discovery and simply follows the structural projection of mineralized sill and dike intersections within the Donlin anticline, which hosts the majority of resources at Donlin Gold. Results of the exploration program will aid in facility and infrastructure planning for the Donlin Gold feasibility study. The initial drilling proved successful in identifying deep mineralization along the East ACMA trend. Additional drilling will be required to delineate mineralization recognized in the initial program. A total of 108 HQ/NQ diameter core holes totaling 33,425 m (109,663 feet) were drilled in support of exploration, resource infill, condemnation, and geotechnical studies. The 2008 drilling results have not yet been incorporated in a resource estimate but are not anticipated to have a material impact on overall resources.

The Phase 2 program in 2008 was largely focused on finalizing the feasibility study and preparing for permitting.

### ***Donlin Gold – 2009 Program***

The 2009 program at Donlin Gold comprised chilled brine geotechnical drilling to further assess permafrost in the Donlin Gold district. There were no exploration activities conducted in 2009 within the resource area.

### ***Donlin Gold – 2010 Program***

During 2010, Donlin Gold LLC initiated studies for a potential natural gas pipeline from Cook Inlet to the project site. Donlin Gold LLC worked with multiple regulatory agencies, consultants and contractors to complete the field season initiating environmental baseline and engineering studies along the proposed pipeline corridor. There were no exploration activities conducted in 2010 within the resource area.

### ***Donlin Gold – 2011 Program***

During 2011, Donlin Gold LLC completed the updated feasibility study incorporating a natural gas pipeline from Cook Inlet to the project site to support the majority of power generation. Donlin Gold LLC worked with multiple regulatory agencies, consultants and contractors to complete the engineering studies along the proposed 500 kilometer-long pipeline corridor. Continued community engagement and environmental baseline data collection also progressed. No exploration activities conducted in 2011 within the resource area.

### ***Donlin Gold – 2012 Program***

During 2012, the Donlin Gold LLC co-owners approved the updated feasibility study incorporating the results of a natural gas pipeline study; and commenced project permitting. Continued community engagement and environmental baseline data collection also progressed. No exploration activities were conducted in 2012 within the resource area.

### ***Donlin Gold – Financial Summary***

In the Donlin Gold FS, the overall economic viability of the Donlin Gold project was evaluated by both discounted and undiscounted cash flow analyses. Undiscounted techniques include total net cash flow, payback period (measured from start of production), EBITDA, and cash costs. Discounted cash flow techniques include IRR and NPV. Discounted values are calculated using a 5% discount rate and a discrete end-of-year convention relative to reference dates of January 1, 2012 and January 1, 2014. A period of approximately 3.5 years for permitting, starting January 1, 2012, is included prior to start of construction. The project is expected to generate after-tax net cash flows of US\$6.2 billion and yield an internal IRR of 6.0%, using a long-term gold price assumption of US\$1,200/oz. The base case after-tax (NPV<sub>5%</sub>) of the Donlin Gold project is US\$547 million.

The total capital cost estimate for Donlin Gold is US\$6.7 billion including costs related to the natural gas pipeline and a contingency of US\$984 million. The project's estimated after-tax net present value (NPV<sub>5%</sub>) is US\$547 million using the base case gold price of US\$1,200/oz, US\$4.58 billion using a gold price of US\$1,700/oz and US\$6.72 billion using a gold price of US\$2,000/oz. The corresponding IRRs after tax were estimated at 6.0%, 12.3% and 15.1%, respectively. Donlin Gold, if put into production in accordance with the Donlin Gold FS, would average 1.49 million ounces of gold production in each of its first five years of operations at an average cash cost of US\$409/oz and would average 1.13 million ounces of gold per year over its projected 27 year mine life with an average cash cost of US\$585/oz.

The project is particularly sensitive to the gold price.

The Project requires a gold price of approximately US\$902/oz to break even on a cash flow basis and a gold price of approximately US\$1,141/oz to achieve an IRR of 5%. It was determined that a 10% change in the price of oil translates into an approximate 1.28% change in total operating costs.

#### **Base Case Project Sensitivity to Gold Price (Base Case is Highlighted)**

*(All amounts in US\$ unless otherwise indicated)*

<b>Gold (\$/oz)</b>	<b>LOM Cash Flow (\$M)</b>	<b>Jan 2014 NPV<sub>5%</sub> (\$M)</b>	<b>Jan 2014 IRR (%)</b>
700	(5,690)	(4,917)	—
800	(2,838)	(3,637)	—
900	(45)	(2,374)	—
1,000	2,143	(1,342)	2.3
1,100	4,191	(385)	4.3
<b>1,200</b>	<b>6,197</b>	<b>547</b>	<b>6.0</b>
1,300	8,187	1,465	7.5
1,400	10,166	2,375	8.9
1,500	11,631	3,147	10.2
1,600	13,092	3,862	11.2
1,700	14,616	4,581	12.3
1,800	16,156	5,296	13.2
1,900	17,699	6,010	14.2
2,000	19,248	6,722	15.1

#### **Summary of Key Evaluation Metrics (Base Case is Highlighted)**

*(All amounts in US\$ unless otherwise indicated)*

<b>Item</b>	<b>Unit</b>	<b>Value</b>
Total Mined	Mt	3,270
Ore Tonnes Treated	Mt	505

Strip Ratio	W/O	5.48
Gold Recovered	Moz	30.401
Gold Recovery	%	89.8
Gold Price	\$/oz	1,200
Total Operating Costs	\$/oz	584
Total Costs Before Taxes	\$/oz	908
Total Costs Including Taxes	\$/oz	998
EBITDA <sup>(1)</sup>	\$M	18,581
Total Cash Flow <sup>(2)</sup>	\$M	6,197
Jan 2012 NPV <sub>5%</sub> <sup>(3)</sup>	\$M	337
Jan 2012 IRR	%	5.6
<b>Jan 2014 NPV<sub>5%</sub><sup>(3)</sup></b>	<b>\$M</b>	<b>547</b>
<b>Jan 2014 IRR</b>	<b>%</b>	<b>6.0</b>
Payback Period	Years	9.2
Operation Life	Years	27.0
Initial Capital	\$M	6,679
Total LOM Capital	\$M	8,184

Notes:

- (1) EBITDA = Earnings before interest, taxes, depreciation, and amortization
- (2) Cash flow excludes sunk costs
- (3) Reference dates for DCF metrics are January 1, 2012 and January 1, 2014. The DCF metrics for January 1, 2014 treat funds expended before that date as sunk.

During 2013, Donlin Gold LLC intends to advance the permitting process through public scoping, completion of the Preliminary Draft Environmental Impact Statement (PDEIS), and receipt of comments from the Federal and State agencies on the PDEIS in preparation for issuance of the draft EIS in 2014. In addition, Donlin Gold LLC will continue to optimize the project and evaluate third party owner-operator agreements to reduce the up-front project capital costs.

The mine operating cost estimates incorporate costs for operating and maintenance labor, staff, and supplies for each year. Operating costs were prepared based on conditions prevailing in second quarter 2011. Pre-production costs have been capitalized and included in the capital cost estimate. A portion of mine operating costs related to waste stripping will be deferred and, therefore, are excluded from the calculation of cash costs in accordance with industry standards.

#### Operating Cost Estimates

	US\$/Tonne Milled	US\$/Tonne Mined
Mining Cost	16.24	2.52
Process Cost	15.47	2.40
G&A, Community, Refining & Land	6.42	0.99
Total Operating Cost	38.13	5.91

The total estimated cost to design and build the Donlin Gold project is estimated at US\$6.7 billion, including an Owner-provided mining fleet and Owner-performed predevelopment. The Donlin Gold FS capital cost estimate was developed in accordance with Association for the Advancement of Cost Engineering (AACE) Class 3 requirements, consisting of semi-detailed unit costs and assembly line items. The level of accuracy for the estimate is -15% / +30% of estimated final costs, per AACE Class 3 definition. No allowances are included for escalation or de-escalation through construction, interest during construction, taxes or duties.

The contingency provided in the capital cost estimate is significant at US\$984 million representing 25% of direct costs. The contingency was selected to provide an 85% probability of the capital cost being at or below the provided

estimate. This is an increase in confidence limit from the 2009 FS which utilized a 50% probability factor. The anticipated timeline for mine construction is four years with the capital investment peaking in the third year of the construction schedule. This estimate includes all costs, including Owner's costs and permitting, from January 1, 2012.

### Capital Cost Estimates

	US\$ million
Mining	345
Site preparation/roads	236
Process facilities	1,326
Tailings	120
Utilities (including natural gas pipeline)	1,302
Ancillary buildings	304
Off-site facilities	243
<b>Total Direct Costs</b>	<b>3,876</b>
Owners' cost	414
Indirects	1,405
Contingency	984
<b>Total Indirect &amp; Contingency</b>	<b>2,803</b>
<b>Total Project Cost</b>	<b>6,679</b>

Sustaining capital requirements total US\$1.5 billion over the life of the mine.

### *Donlin Gold – Planned Mining Operations*

Throughput studies were performed during 2007–2008 and mine design and production schedules were developed for a nominal mill throughput of 19.5 Mt/a, or 53,500 t/d. Open pit mining on both 6 m and 12 m high benches provided the best project economics. Approximately 40% of the ore and 19% of the waste, or 22% of the total tonnage, is planned to be selectively mined on 6 m benches.

Mining operations are envisaged as 355 days per year, with ten days allowed for delays due to winter conditions; however, the plant is provisionally scheduled to operate 365 days per year. Maximum vertical advance per phase per year is sixteen 6 m benches. Where the vertical advance rate is more than ten 6 m benches per year, some or all benches will be 12 m high so that the combined vertical development rate does not exceed ten benches per year.

The ACMA pit has a top elevation of 268 m above sea level (“masl”), cuts across the American Creek drainage at 178 masl, and has a bottom elevation of 344 m below sea level (“mbsl”). The grade of the gold mineralization in ACMA is higher than in the Lewis area. The Lewis pit is on a hill directly above and to the northeast of the ACMA pit, at elevations ranging from 436 masl to 68 mbsl.

A set of fourteen mining phases were designed, nine in the ACMA pit and five in the Lewis pit. This sequence aims to deplete ACMA as early as possible to maximize use of the waste backfill dump designed inside the pit while minimizing deviation from the optimal economic mining sequence. The initial phases of the two pits are independent, but they partially merge later in the mine life.

Donlin Gold is envisaged to be mined by a conventional truck-and-shovel operation. Initial pioneering and pit development will be undertaken to remove overburden, develop mine access roads suitable for large mining equipment, and “face-up” the initial pit into productive set-ups for the large shovel and mining equipment.

Large hydraulic shovels mining the full 12 m benches will be the primary loading equipment in zones of waste and steeply dipping ore. The same primary shovels will be used on the 6 m split benches, thereby avoiding the need for a mixed fleet of hydraulic shovels. Large 360 t capacity haul trucks will be used for transporting both ore and waste out of the pit.



Haul roads are designed at 10% maximum grade for uphill loaded haulage and at a maximum of 8% for downhill loaded haulage. The final road width design is 40 m.

Blasting will be required. Blast hole drilling in predominantly waste areas will be performed with nominal 251 mm diameter production drills. Ore zones will be drilled on a single 12 m bench with 200 mm diameter holes or a single 6 m bench with 140 mm diameter holes, depending on the size and continuity of the ore blocks outlined by grade control drilling. All blasting will be based on 70% emulsion / 30% ammonium nitrate/fuel oil, which will be manufactured on site.

Support equipment will be used for road, bench, and dump maintenance and miscellaneous projects. Track dozers and rubber-tired dozers will spot loads and maintain the waste spoil dumps. A fleet of graders will maintain the roads. Crushed rock will be provided to help maintain good roads and improve truck tire life. Water trucks will spray roads and working areas during dry and dusty periods. Small backhoes will be used for ditch work and other dewatering projects. Dozers will be used on larger construction projects such as re-contouring waste dumps and spreading reclamation materials.

### ***Donlin Gold – Proposed Production Plan and Schedule***

Based on the Donlin Gold FS, the operating mine life is estimated to be 27 years with the nominal processing rate of 53,500 tonnes per day. Mine start-up is proposed for 2019 based on a timeline of 3-4 years for project permitting and 3.5 to 4 years for construction. The processing rate is variable from period to period as a function of sulfur grade and ore hardness. To maximize plant utilization, long-term ore stockpiling is required to balance sulfur feed grades. Short-term stockpiling will also be required to handle crusher downtime and production fluctuations in the pit. Short-term ore stockpile rehandle to achieve mill feed sulphur grade targets was assumed for the Donlin Gold FS to be 45%.

Preproduction covers the first 15 months of the mine plan, when mining activities will focus on providing sufficient ore exposure for plant start-up. Ore mined during preproduction will be stockpiled and rehandled to the mill during operations. Average production increases progressively in the initial years from 350 kt/d to 417 kt/d. The peak rate of 437 kt/d is reached in Year 6.

### ***Donlin Gold – Waste Dumps***

Waste rock from open pit mining will be placed in an ex-pit waste rock facility in the American Creek Valley, east of the pit area, or in a backfill dump in ACMA. The ultimate footprint of the facility covers an area of approximately 9 km<sup>2</sup>. Approximately 2,222 Mt of waste rock and 42 Mt of overburden will be placed in the facility. The top lift of the dump will be at an elevation of approximately 520 masl, resulting in a maximum dump height of about 340 m and thickness of about 300 m. Most of the waste rock facility will be constructed in 30 m lifts. The toe of each subsequent lift will be set back 47 m from the crest of the previous lift, resulting in an overall dump slope of 3H:1V.

The potential magnitude of flow in the American Creek drainage, as well as discharge from springs in the valley floors, warrants the construction of an engineered rock drain system below the waste rock facility, including connecting secondary rock (finger) drains in the smaller contributing drainages. The rock drains were sized to contain the peak instantaneous flow associated with the 100-year return period, 24-hour duration rainfall event for American Creek.

Sufficient overburden will be stored separately for use in final site reclamation; the remainder will be dumped into the waste rock facility or used for construction and concurrent reclamation. Of the total amount of waste rock, 2,232 Mt will be stored in the waste rock facility, and approximately 423 Mt will ultimately be placed in the ACMA pit as backfill. Backfilling will commence in Year 18 and continue until the end of mine life. In addition, 103 Mt of waste rock will be used for construction purposes, and 16.6 Mt of overburden will be stored in overburden stockpiles for reclamation purposes.

Waste rock was characterized by its potential for acid generation and was assigned reactivity categories. Categories 1 to 4 are non-acid-generating (“NAG”), and categories 5 to 7 are potentially acid-generating (“PAG”). Waste rock

consists of NAG and PAG rock from the ACMA and Lewis pits. The disposal of PAG waste rock will depend on its reactivity category: PAG rock of waste rock management category (WRMC) 7, or PAG7, will potentially start producing acid in less than a few years, PAG6 in less than a decade, and PAG5 after several decades. PAG5 rock will be blended with NAG rock when placed in the waste rock facility; the NAG rock has enough neutralizing potential to prevent the PAG5 waste from producing acid. PAG6 waste will initially be placed in encapsulated cells in the waste rock facility. Water infiltration into this cell will be minimized by a cover of compacted colluvium or terrace gravel.

NAG and PAG rock from the ACMA and Lewis pits will be routed to the external waste dump (waste rock facility, WRF) during the first part of the mine life. Later, as mining is completed in the ACMA pit, the remaining waste rock will be routed there. In certain periods, suitable material will be sent to the tailings dam location where it will be used for construction.

The PAG7 waste will ideally be used to construct the water reclaim structure in the tailings impoundment. This will be addressed further during the detailed design and operational scheduling. Additional PAG7 waste will be stockpiled in the long-term ore stockpile area. The stockpiled PAG-7 waste will then be rehandled into the ACMA pit below the final pit lake water level.

The waste rock facility was designed to meet or exceed a factor of safety (“FS”) of 1.5 under static loading conditions and an FS of 1.1 under seismic (pseudo-static) loading. The stability of the waste rock facility exceeds these design criteria.

Concurrent reclamation of the waste rock facility will be undertaken during operations.

### ***Donlin Gold – Proposed Tailings Storage***

The tailings storage facility in the Anaconda Creek basin will be a fully lined impoundment with cross valley dams at both the upstream (“upper dam,” comprising upper north and upper south) and downstream (“main dam”) ends.

All tailings dams will be constructed of compacted rock fill using the downstream method with a composite liner on the upstream face. The tailings impoundment footprint will be lined with a linear low density polyethylene liner over a layer of broadly graded silty sand and gravel acting as low permeability bedding material and providing secondary containment. Material for construction will be sourced from the plant site and fuel farm during initial construction and from the open pit for the later raises during operations.

The starter dam is sized to store one year of tailings plus the 200-year return period snowmelt, 24-hour probable maximum precipitation rainfall event, excess water accumulation under average conditions in the site water balance, and emergency freeboard. To meet these requirements, the starter and ultimate dam will be 54.0 m and 141.5 m high, respectively, as measured from the crest to the downstream toe. The ultimate capacity of the lined tailings impoundment will be 412.35 Mm<sup>3</sup>.

Construction of the tailings facility will need to be scheduled with special allowances for seasonal constraints and effects on earthworks and liner placement productivity. Construction will take at least two years and will commence no later than two years before mill commissioning, starting in a winter construction period, assumed to be from November to March. The summer construction period is from May to October. The month of April is assumed to be non-trafficable as the ground thaws. November is also likely to be a transition month from summer to winter, but the trafficability is expected to be adequate to maintain some construction activities.

Surface water management will be required during construction and will comprise conventional best-management practices such as cofferdams, sumps, sediment traps, and pumped diversions.

In 2013, Donlin Gold plans to submit an Initial Application for a Certificate of Approval to Construct a Dam to the Alaska Department of Natural Resources. This application will initiate the dam safety review process. The current design for the tailings storage facility includes installation of a synthetic liner. More detailed information related to

the design criteria and relevant hazard potential classification will be provided in the application to be submitted to the State.

Water dams are required during the construction period and initial years of operation to protect the lined upstream faces of the upper north and south tailings starter dams from a significant flood event, to provide a reliable source of fresh water during operation of the process plant, and to minimize runoff to the tailings storage facility. The water dams will be incorporated into the downstream toe of the upper dams and are planned to be constructed simultaneously with the starter dams before tailings placement.

### ***Donlin Gold – Infrastructure***

Current site infrastructure comprises an all-season, soft-sided camp with facilities to house up to 150 people consisting of kitchen, living quarters, equipment shop, drill shack and other buildings required for support of year-round exploration activities.

There is sufficient area within the project to host an open-pit mining operation, including any proposed open pit, waste dumps, tailings and process facilities. Donlin Gold LLC has secured the majority of the surface rights for the areas that may host these facilities.

Crooked Creek has approximately 140 residents and Aniak has a population of approximately 570. The workforce for the project would be sourced from the local area, from Alaskan regional centres and from other sources as required.

The project is a greenfield site. The infrastructure for the project includes four main development sites in remote locations: the Jungjuk port site, the mine and plant site area, the permanent camp, and the airstrip. The plant site and fuel tank farm will be on a ridge above the proposed tailings storage facility. The layout of the plant site was designed to take maximum advantage of the natural topography. The layout also provides for efficient movement of equipment and material products around the site.

### ***Planned Off-site Infrastructure***

The port-to-mine access road (Jungjuk route) will traverse varied terrain from the mine site to the Kuskokwim River dock site near the mouth of Jungjuk Creek to the mine site, approximately 44 km long. The entire road will be new construction in an untracked region, with no passage through or near any settlements or communities, and no junctions with any existing road system. The road route will traverse mostly upland terrain. A 4.8 km long spur road, beginning at route km 8.7, will serve the project airstrip. The mine camp facilities will be located at route 3.9 km. There are fifty identified stream or drainage crossings along the road route, but only six of them are significant and will require bridging. Bridge lengths vary from 7.5 m to 25 m. The primary purpose of the road is to transport freight by mostly conventional highway tractors and trailers. However, critical elements of the design will be dictated by specific oversize and overweight loads associated with mine facility construction. Only mine support traffic will use the road, and the design assumes that mine operations will control and manage traffic on the road.

### ***Planned Site Infrastructure***

Planned site infrastructure comprises: access roads, airstrip, accommodation camp, plant site and fuel tank farm, primary and pebble crushers, coarse ore conveyor and coarse ore stockpile, concentrator, water treatment plants, boiler house, utility corridors and access walkways, waste and tailings storage facilities, truck shop, truck wash, workshops and vehicle repair facilities, assay laboratory, administration facilities and change rooms.

The plant site and fuel tank farm will be in the Anaconda valley on the ridge. The proposed facility layout contains the entire process area within the Anaconda and American Creek valleys and therefore minimizes any direct impact on Crooked Creek.

The layout of the plant site was designed to take maximum advantage of the topography, ranging from an elevation of 305 m at the grinding area and stepping down through the process to elevation 260 m at the flotation tailings thickener. The layout also provides for efficient movement of equipment and material products around the site. The

primary crusher is located on a ridge on the south side of American Creek. This location is compatible with the mining plan, haul road layouts, and ultimate pit limits as well as the location of the contact water dam and contact water pond. The crusher was orientated to make use of the southern slope of the ridge, minimize the length of the conveyor, and permit the design of the vertical and horizontal alignment to tie into the coarse ore stockpile at the plant site. The process plant was orientated on the plant site to take advantage of the natural topography, with the long axis of the plant following the slope of the rounded hill to the south.

With the supply of natural gas to the mine site, heating for the plant site buildings and modules, including the truckshop and accommodation complex, will be provided by natural-gas-fired air unit heaters and makeup air units. The accommodation complex will be heated by natural gas furnaces with a forced-air system and supplemental baseboard heaters.

### ***Donlin Gold – Power***

Natural gas will be delivered to site by a 500-kilometer long 12-inch diameter pipeline to supply an on-site power generation facility. The Donlin Gold FS contemplates use of a natural gas-fuelled combined-cycle gas turbine (CCGT) power plant and standby simple-cycle gas turbines. The CCGT power plant conceptually consists of two equal halves, each with two gas turbines, two once-through steam generators, and one steam turbine with an air-cooled condenser. Standby power generation will consist of two simple-cycle gas turbines. The total generation facility is nominally rated 240 to 247 MW (summer/winter ratings). Project optimization studies and detailed engineering may result in selection of a different power plant design based on capital and operating costs and operating efficiency considerations.

The natural gas pipeline is a lower-cost alternative to the previously considered barging of diesel fuel to site to generate electricity. Operating costs include importing liquefied natural gas (“LNG”) by ship to Anchorage and total delivery costs to site which includes ship based regasification of the LNG and delivery from Anchorage to the Donlin Gold project via the pipeline.

The pipeline would commence at the west end of the Beluga Gas Field, approximately 48 km northwest of Anchorage at a tie-in near Beluga located in the Matanuska-Susitna Borough and would run to the mine site. The pipeline would receive booster compression supplied by one compressor station located at approximately mile post 5. No additional compression along the pipeline route would be required. The pipeline would transport approximately 1,415,842 m<sup>3</sup>pd per day of natural gas.

Natural gas will be supplied to the various buildings at the plant site for heating through an underground network of pipes. The main distribution line will extend 7.2 km along the main access road to the permanent accommodation complex and supply fuel for the forced-air heating system and for the cooking appliances in the camp kitchen.

### ***Donlin Gold – Water***

Water requirements for the proposed project will be summarized in a draft Water Resources Management Plan, which is currently under review by State and Federal agencies. Water primarily will be sourced from the two drainages (American and Anaconda Creeks) within the mine footprint and pit dewatering. In some years, the water supply from these sources may not be able to meet the makeup water requirements for the plant. In these circumstances, additional water will be obtained primarily from a reservoir in Snow Gulch.

The source of water supply for the construction camp and, later, the plant site potable water systems is an array of eight deep wells south of Omega Gulch, near Crooked Creek. Water supply will be pumped to freshwater storage tanks, and will be treated prior to consumption.

### ***Donlin Gold – Markets***

The marketing plan is for the members of Donlin Gold LLC to take in kind their respective shares of the gold production, which they can then sell for their own benefit. Under the agreement, the manager shall give the members

prompt notice in advance of the delivery date upon which their respective shares of gold production will be available.

Since there are a large number of available gold purchasers, the members should not be dependent upon the sale of gold to any one customer. Gold can be sold to various gold bullion dealers or smelters on a competitive basis at spot prices.

Spot prices are determined by open markets. The “London Gold Fixing” is the procedure by which the price of gold is set on the London market by five members of the London Gold Pool (who are all members of the London Bullion Market Association). The London Gold Fixing is designed to fix a price for settling contracts between members of the London bullion market but is internationally recognized as a benchmark for gold prices and is used in the pricing of the majority of gold products throughout the world’s markets.

It is expected that selling contracts for NOVAGOLD’s share of the gold production will be typical of, and consistent with, standard industry practice, and be similar to contracts for the supply of doré elsewhere in the world.

### ***Donlin Gold – Taxation***

Taxes that may be levied on the project can be summarized as follows:

- Federal Income Tax – the greater of the U.S. Regular Tax of 35% or Alternative Minimum Tax of 20%.
- Alaska State Income Tax – 9.4% of net income or Alternative Minimum Tax of 18% of Federal Alternative Minimum Tax.
- Alaska State Mining License Tax – 7% of taxable mining income, less depletion. There is a 3.5-year tax holiday on the mining license tax.

Income tax becomes payable after deductions for capital allowances.

### ***Donlin Gold – Financial Analysis***

The total capital cost estimate for Donlin Gold is US\$6.7 billion including costs related to the natural gas pipeline and a contingency of US\$984 million. The project’s estimated after-tax net present value (NPV<sub>5%</sub>) is US\$547 million using the base case gold price of US\$1,200/oz, US\$4.58 billion using a gold price of US\$1,700/oz and US\$6.72 billion using a gold price of US\$2,000/oz. The corresponding IRR after-tax were estimated at 6.0%, 12.3% and 15.1%, respectively.

In the Donlin Gold FS, the overall economic viability of the project was evaluated by both discounted and undiscounted cash flow analyses, based on the engineering studies and cost estimates discussed in this study. Assumptions in the model comprised:

- For discounted cash flow (or NPV) purposes, the model is based from January 1, 2014. Estimates were prepared for all the individual elements of cash revenue and cash expenditures for ongoing operations.
- Estimated cash flows from revenue are based on a gold price of US\$1,200/oz as provided by Donlin Gold LLC. The pit has been optimized at a gold price of US\$975/oz, which was the guidance in effect at the time the pit optimization work was completed. At the effective date of the Donlin Gold FS, gold was trading at around US\$1,650/oz.
- Recovery is estimated to average 89.8% over the LOM based on work and testing performed for feasibility study and feasibility study update purposes.
- Doré refining and shipping charges were estimated at US\$1.02/oz based on actual refining charges for Barrick’s Goldstrike operations and a quotation for transportation and insurance costs from the Donlin Gold mine site to a U.S.-based refinery. An additional 0.1% of gold produced from the mine is included in refining costs. This amount represents the refiner’s estimate of the loss of gold that will occur during the refining process.
- The current hydrometallurgical process selection renders any contained silver into a greater refractory state, which provides less than 10% silver recovery through standard metal leaching. As a consequence, no silver credit was applied to the project.

- Assets will be sold over the course of the mine life, when they are no longer required for project-based work, as well as at the end of the mine life. Total recovered value from these sales is estimated at approximately US\$23.0 million.
- Reclamation and closure costs were estimated at US\$273.7 million to be funded over the construction and operating period to fund closure and post-closure activities.
- Inventory is included in the financial model as cash outflows in the year before start-up of operations.

### ***Donlin Gold – Current Activities***

During 2012, expenditures at the Donlin Gold project totaled approximately \$33.6 million, with 50% contributed by NOVAGOLD. Key milestones met during the 2012 program were the co-owners' approval of the Donlin Gold FS incorporating the results of a natural gas pipeline feasibility study; and commencing project permitting.

Donlin Gold LLC has approved a 2013 work program of approximately US\$30.0 million, of which the Company's 50% share is approximately US\$15.0 million, includes funds to advance the permitting process through public scoping, completion of the Preliminary Draft Environmental Impact Statement (PDEIS), and receipt of comments from the Federal and State agencies on the PDEIS in preparation for issuance of the draft EIS in 2014. In addition, the Donlin Gold LLC will continue to optimize the project and evaluate third party owner-operator agreements to reduce the up-front project capital costs.

### **Galore Creek Project, British Columbia**

#### ***Galore Creek Partnership***

On August 1, 2007, the Company and Teck formed the Galore Creek Partnership giving each of NOVAGOLD and Teck a 50% interest in the Galore Creek project. The activities of the Galore Creek Partnership are being conducted by GCMC, an independent entity controlled equally by NOVAGOLD and Teck. Under the original agreement, the Company contributed its assets in the Galore Creek project to the Galore Creek Partnership and Teck was to fund an initial contribution after which both partners would be equally responsible to fund the project going forward. In addition, under the terms of the original partnership agreement, the Company would receive up to US\$50.0 million of preferential distributions once Galore Creek was fully operational, if partnership revenues exceeded certain established targets in the first year of commercial production.

On November 26, 2007, the Company announced that NOVAGOLD and Teck had reached the decision to suspend construction activities at the Galore Creek project. In light of these developments, NOVAGOLD and Teck amended the terms of Teck's earn-in obligations in connection with Galore Creek. Under the amended arrangements, Teck's total earn-in was approximately \$403.0 million and the Company was to receive up to US\$25.0 million of preferential distributions once Galore Creek became fully operational, if Partnership revenues exceeded certain established targets in the first year of commercial production. Teck's sole funding of project costs incurred after August 1, 2007 was to total \$264.0 million, and Teck agreed to invest an additional \$72.0 million in the Galore Creek Partnership to be used over the next five years, principally to reassess the project and evaluate alternative development strategies. NOVAGOLD and Teck were to fund the next \$100.0 million of project costs one third and two thirds respectively, and would fund costs proportionately thereafter.

On February 11, 2009, NOVAGOLD and Teck agreed to further amend certain provisions of the Partnership Agreement relating to the Galore Creek project. The agreement confirms that NOVAGOLD and Teck each continue to hold a 50% interest in the Galore Creek Partnership. Under the amended agreement, Teck agreed to fund 100% of Galore Creek costs until the total amount contributed by Teck after November 1, 2008, together with approximately \$15.8 million previously contributed by Teck on optimization studies, equaled \$60.0 million. Teck would have a casting vote on the Galore Creek Partnership's Management Committee with respect to the timing and nature of expenses to be solely funded by it. Following Teck's \$60.0 million contribution, all further costs at Galore Creek will be funded by Teck and NOVAGOLD in accordance with their respective Galore Creek Partnership interests and there will no longer be any casting vote for either party. The new funding arrangements replaced the funding arrangements agreed to by Teck and NOVAGOLD in November 2007.

Teck was the sole funding partner until June 22, 2011 when it completed its \$373.3 million earn-in obligation. At the Galore Creek project, GCMC had an approved 2011 budget to focus on community engagement and completion of the pre-feasibility study. Following completion of the pre-feasibility study, the partners approved a budget of \$30.5 million to carry out further work at the Galore Creek project during the remainder of 2011. Planned work included infill drilling to convert inferred mineral resources to measured and indicated categories, geotechnical drilling on the tunnel alignment and geotechnical drilling to confirm open pit slopes in areas targeted for conversion of inferred mineral resources. For the year ended November 30, 2011, GCMC expended approximately US\$36.3 million and NOVAGOLD contributed \$14.1 million following completion of Teck's earn-in obligation. Depending on the results of the enhancements to the pre-feasibility study, GCMC may consider resuming road construction activities and move into feasibility and permitting activities to advance Galore Creek toward a construction decision. A preliminary budget has been discussed and would be refined for these activities at the time a decision is made to proceed.

In 2012, GCMC completed a 27,000 meter drilling program focused on resource infill and exploration drilling. The objective of the infill drilling was to increase resources and upgrade material in all categories, and the program produced a number of significant intersections, including 122 meters of 1.02% copper and 0.28 grams per tonne gold. The exploration drilling resulted in the discovery of the Legacy zone adjacent to the Central reserve pit and included an intersection of 86.5 meters of 1.31% copper and 0.46 grams per tonne gold. Sufficient drilling was carried out in 2012 to allow preparation of a new resource estimate which could support an updated pre-feasibility study or a future feasibility study.

NOVAGOLD and Teck have approved a 2013 work program of approximately \$16.0 million, of which the Company's 50% share is approximately \$8.0 million. The work program includes funds to update the resource model with 2012 drill results; to follow-up on positive drill results and test additional targets with approximately 10,000 meters of planned drilling; and potentially to increase resources.

On November 16, 2011, NOVAGOLD announced that it was evaluating opportunities to sell all or part of its 50% interest in the Galore Creek project. As of November 30, 2012, the Company had not received an offer for its 50% interest in the Galore Creek project.

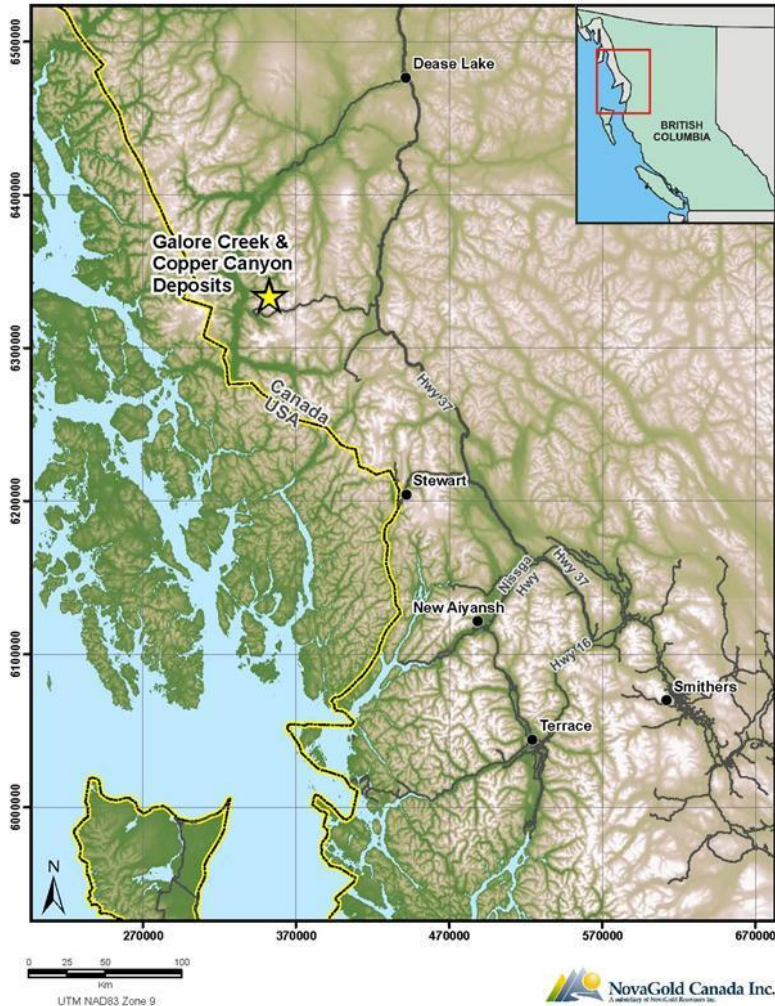
***Except for the information under the headings "Galore Creek – Current Activities" and "Galore Creek – Project History, Drilling and Exploration, 2012 Program", or for information related to Copper Canyon or as otherwise stated or implied, the information in the following sections is based on the technical report titled "Galore Creek Copper-Gold Project NI 43-101 Technical Report on Pre-Feasibility Study, British Columbia – Canada" dated September 12, 2011 (the "PFS") prepared by Robert Gill, P.Eng., Jay Melnyk, P.Eng., Greg Wortman, P.Eng., Greg Kulla, P.Geo., and Dana Rogers, P.E., all of whom are Qualified Persons as defined in NI 43-101. The PFS has been filed with the securities regulatory authorities in each province of Canada. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the PFS which is available for review on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).***

#### ***Galore Creek – Property Description and Location***

The Galore Creek property is a large copper-gold-silver project located in northwestern British Columbia. The main Galore Creek property, which consists of the Southwest, Central, Junction and West Fork deposits, contains most of the project's known resources. Under an option agreement originally with subsidiaries of Rio Tinto plc and Anglo American plc, the then shareholders of Stikine Copper Limited, the owner of the core mineral claims at the Galore Creek project, NOVAGOLD could acquire 100% of such company. On June 1, 2007, the Company completed the exercise of its option pursuant to the Galore Creek Option Agreement to purchase 100% of Stikine Copper Limited by paying the final US\$12.5 million of a US\$20.3 million purchase. NOVAGOLD's financial earn-in requirements under the Galore Creek Option Agreement were satisfied and all of Stikine Copper's assets were purchased by NOVAGOLD and have been transferred to the Galore Creek Partnership.

On February 13, 2006, the Company announced that it had entered into a comprehensive agreement with the Tahltan Nation for their participation in, and support of, the development of the Galore Creek project. Financial contributions will be made by GCMC to the Tahltan Heritage Trust Fund which will be used to mitigate any adverse

social and cultural impacts of mine development. Trust Fund payments are currently \$250,000 annually during this period of review and care and maintenance, and will increase to \$500,000 annually should full-scale construction resume. During mine operations, Trust Fund payments are guaranteed to be no less than \$1.0 million annually. Upon reaching certain agreed financial targets, and subject to positive mine operating cash flow, the trust will receive the greater of \$1.0 million or a 0.5 to 1.0% NSR royalty each year.



### ***Galore Creek – Mineral Tenure***

On May 23, 2007, NOVAGOLD and Teck announced a 50/50 partnership to develop the Galore Creek property. On August 1, 2007 the Galore Creek Partnership was established to develop the Galore Creek mine and created GCMC, a jointly controlled operating company. In October 2007, all Galore Creek claims held by NOVAGOLD Canada Inc. were transferred to GCMC. GCMC currently holds 118,912 hectares (293,837 acres) of British Columbia provincial mineral claims in 264 tenures. Included in this total are the five Grace claims that were acquired by GCMC from Pioneer Metals Corporation on December 3, 2007. To date, BCLS legal surveys have been recorded on five Galore Creek mineral claims (516158, 516165, 516459, 516177, 516335) and on four Bob Quinn area claims (514548, 514551, 545723, 566898). At the adjoining Copper Canyon property, a wholly owned subsidiary of NOVAGOLD, acquired in May 2011, holds the remaining outstanding interest in Copper Canyon, which owns 12 claims totaling 11,344 hectares (28,032 acres).

### ***Galore Creek – Accessibility and Climate***

The Galore Creek project is located approximately 70 km west of the Bob Quinn airstrip on Highway 37 and



150 km northeast of the port of Stewart, and 370 km northwest of the town of Smithers, British Columbia, Canada. The town of Smithers, is the nearest major supply centre and has an airport with regularly scheduled flights to and from Vancouver, BC. The project is located in the Stikine area, the nearest point on the Stikine River to the project is the mouth of the Anuk River, about 16 km west of the camp. Most personnel, supplies, and equipment are staged from the Bob Quinn airstrip, on the Stewart-Cassiar Highway (Highway 37) and transported via helicopter to the Galore Creek camp. Bob Quinn is serviced by contract flights from Smithers and Terrace, each of which has daily flights from Vancouver. Flight time from Vancouver to Smithers/Terrace is about 90 minutes, then an additional 45 minutes to Bob Quinn. The helicopter flight from Bob Quinn to the Galore Creek camp is about 30 minutes.

Galore Creek is located in the humid continental climate zone of coastal British Columbia and is characterized by cold winters and short, cool, summers. Within the Galore Creek Valley, mean monthly temperatures range from 8.2°C during the winter to 12.4°C during the summer, with January and July typically being the coolest and warmest months, respectively. In the Upper West More Valley area, monthly average temperatures range from 8.9°C in the winter to 7.9°C in the summer. Precipitation begins to fall as snow in early October and continues until the end of May. A basinal average precipitation for the whole Galore Creek Valley watershed was estimated to be in the order of 3,000 mm. June and July tend to receive the least amount of precipitation on an annual basis (typically 40 to 60 mm of rain per month).

The project lies within a regional structure known as the Stikine Arch. Medium to steep slopes characterize the local terrain in the central and northern parts of the Galore Creek property. The surrounding topography is mountainous. The elevation of the tree line is variable, but alpine vegetation predominates above 1,100 m. The forests below consist of Balsam fir, Sitka spruce and cedar. Alpine tundra is present at higher elevations.

The project is currently isolated from power and other public infrastructure and is currently not accessible by road. Because of glaciers covering the surrounding mountain passes, a large cross-section tunnel is needed to provide long-term vehicular access into the Galore Creek valley and for mobilization of individual component pieces of large mining equipment needed for mining the ore body using open pit methods. The time and cost for driving a tunnel in new and unexplored underground terrain is subject to many unknowns which could change the outcome significantly. The same surface constraints that preclude building a road into the site (i.e. severe topography, snowpack, glaciers and weather) also limit the amount of borehole information, geologic mapping and other site specific data that can be obtained so that subsurface conditions can be better understood before tunneling begins. Construction of the tunnel will most likely fall on the critical path for development of the mine and thus represents a significant cost and schedule risk for development of the Galore Creek property.

Within the ground holdings of GCMC, there is sufficient area to allow construction of all required project infrastructure. Except for the access corridor which is covered by the special use permit, all other infrastructure, including the processing plant and tailings area in West More and for the Filter Plant Area near Km 8 are located within GCMC's mineral claims. GCMC intends to file for mining leases to secure the surface rights for these areas, which are held by the Crown. GCMC considers it a reasonable expectation that surface rights usages will be granted to the project. Ample water supply is available from surface and subsurface sources.

### ***Galore Creek – Geological Setting***

The main Galore Creek deposits lie in Stikinia, an accreted terrain composed of tectonically juxtaposed Mesozoic volcano-stratigraphic successions. The eastern boundary of the Coast Plutonic Complex lies about 7 km west of the claim block. A suite of multiphase syenite intrusions cuts a section of flysch-basin sedimentary strata and alkaline volcanic rocks of the middle to upper Triassic Stuhini Group. The intrusive suite, centered in the West Fork area, forms a north-northeast-trending belt 5 km long and 2 km wide and contains stocks, dikes and extensive sills. The presence of numerous sub-volcanic syenite sills indicates that the intrusions formed at a structurally high level. The spatial and temporal association of the chemically similar intrusive and extrusive igneous rocks indicates that the Galore Creek area is probably an eroded volcanic center. The Galore Creek intrusions commonly follow two orientations, one northwest and the other northeast. Post-intrusion and post-ore faulting follows these same orientations. Regionally, the Stuhini section shows broad open folding. The mineralized section is less deformed, so it is unclear whether the deformation occurred prior to, during, or subsequent to mineralization.

Copper Canyon, a satellite copper-gold resource located 6 km east of the Central Zone, shares a number of

geological and geochemical similarities with the main deposits, including the occurrence of identical dike-rock types, a similar sulfide suite and occurrence within the same host volcano-stratigraphic succession. Regional stratigraphic relationships suggest that Copper Canyon represents a different but coeval volcanic edifice.

### ***Galore Creek – Alteration and Mineralization***

Mineralization at Galore Creek occurs primarily in altered Triassic alkalic lavas, volcano-sedimentary strata and, to a lesser degree, in alkalic intrusions. Twelve copper-gold-silver mineralized zones have been identified on the property. Alteration mineral assemblages at Galore Creek are somewhat unique due to the near total lack of quartz in the volcanic and intrusive host rocks. In general, the center of the district shows potassic alteration, including potassium-feldspar, biotite and magnetite, with local concentrations of garnet. Copper-sulfides are most closely associated with secondary biotite and magnetite. A propylitic assemblage, including epidote, chlorite and pyrite occurs outboard of the potassic assemblage.

Most of the mineralized zones contain evenly disseminated copper-sulfide with little apparent control by stockwork or larger scale veining. The sulfide assemblage generally includes chalcopyrite, bornite and pyrite. Uncertainty exists whether the pyrite is auriferous, but strong magnetite commonly occurs within gold-enriched zones. Higher gold values occur at the northern and southern ends of the Central deposit. These higher gold values generally occur along with elevated concentrations of bornite. Locally, as in the West Fork area, massive magnetite-bornite-chalcopyrite mineralization contains bonanza grades (>20% copper with significant precious metal values).

Mineralization at Copper Canyon occurs primarily in a sub-volcanic syenite intrusive complex. This host lithology defines the primary difference from the main Galore Creek deposits. Chalcopyrite forms the primary sulfide mineralogy; bornite is rare. As at Galore Creek, mineralization is evenly disseminated and shows no apparent association with veining. The periphery of known mineralization contains elevated gold/copper ratios along with relatively higher concentrations of pyrite. Copper mineralization appears to occur as an annular zone around a barren fluorine-rich diatreme breccia.

### ***Galore Creek – Sampling and Assaying***

Historically from 1963 to 1991, drill core in mineralized zones was generally sampled in 3-meter intervals. The samples were tagged then split in half using a mechanical splitter. One half of the core was returned to the core box and the other half shipped to an outside laboratory for analysis. The core returned to the boxes remains on site as a record of the hole. Much of the core from the Central Zone was re-assayed as part of the 1991 exploration program. No site-specific standards, blanks or field duplicate samples were used in any of the previous exploration programs.

Sampling and assaying procedures used by the Company have been overseen by qualified professional geologists. All drill core from the 2003 through 2010 programs, except intervals of overburden and till material, were sampled. Drill core sampling occurred within a minimum of 1-meter and a maximum of 3-meter intervals. The core was cut in half using a diamond saw. Half of the core was taken as a sample and submitted to ALS Chemex Labs in Vancouver, BC. The core that was returned to the box remains on site as a permanent record. In addition to the core, control samples were inserted into the shipments at the approximate rate of one standard, one blank and one duplicate per 20 core samples. The placement of all control samples was essentially random within the 20-sample batch.

All assay analysis for the 2003 through 2007 programs was carried out by ALS Chemex Labs of Vancouver, BC. Samples were logged into a tracking system on arrival at ALS Chemex, and weighed. Samples were then crushed, dried, and a 250 g split pulverized to greater than 85% passing 75 microns. Gold assays were determined using fire analysis followed by an AAS finish. The lower detection limit was 0.005 ppm Au; the upper limit was 1,000 ppm Au. An additional 34-element suite was assayed by ICP\_AES methodology, following nitric acid aqua regia digestion. The copper analyses were completed by atomic absorption (“AA”), following a triple acid digest. Sampling and assaying from 2007 through 2010 used the same protocols as described above.

## ***Galore Creek – Project History, Drilling and Exploration***

### *Drilling History*

Since initial discovery of the Galore Creek property in 1960 through 2011, approximately 255,601 meters were drilled in 1,078 core holes on the property. Most of this work has focused on the Central Zone, with lesser amounts of work on eleven other target areas. Some zones have received only reconnaissance drilling. During the 1970s, drilling was principally confined to the Central Zone but nine holes were also drilled on the North Junction Zone. Average core recovery in the Central Zone was between 75 and 85% with the poorest recovery at depths between 60 and 90 meters where abundant open sheet fractures were encountered. At depths below 90 meters core recovery approached 100%. In the North Junction Zone recovery averaged around 60% due to shattered and sheared sections encountered both near surface and at intervals throughout the holes. In 1989–1990, Mingold, an Anglo American subsidiary, drilled holes on the Southwest Zone (eight holes, 1,026 meters), the North Rim showing (six holes, 546 meters), the Saddle Zone (two holes, 226 meters) and two reconnaissance holes. The 1991 drill program was mainly directed at areas peripheral to the Central Zone as well as exploration holes located in the Southwest, Butte, North Rim and Dry Creek Zones. Only six holes were drilled within the Central Zone itself.

The first drill program directed by NOVAGOLD began in September of 2003, and consisted of eight core holes targeting four broad areas of the deposit: the North Gold Zone, South Gold Zone, Central Replacement Zone and Southwest Zone. Drilling was focused on understanding the zonation and gold variability of the deposit. This program was responsible for the discovery of new mineralization, known as the Bountiful Zone, found at depth below the South Gold Lens.

### *2006 Program*

The 2006 drill program focused primarily on further definition of the deep Bountiful mineralization discovered in 2003, further resource definition along the western margin of the Central deposit and completion of condemnation drilling on the Grace claims in the planned tailings disposal site. The program drilled in excess of 36,200 meters in 67 drill holes and encountered significant new mineralization in the Bountiful Zone, in the high-wall of the Central deposit and down dip in the West Fork deposit. Additional geotechnical drilling in support of mine development was also completed.

Wide-spaced drilling in the Bountiful Zone defined a sub-horizontal zone occurring at roughly 300 meters depth and extending nearly 1,000 meters in the north-south direction and 700 meters in the east-west direction. Drilling indicates that typical widths in the Bountiful Zone are greater than 200 meters on average and up to 500 meters in a few exceptional intervals. Drilling at depth in the high-wall of the Central Zone extended mineralization from the North Gold lens approximately 250 meters to the west. Additional drilling in the Dendritic Creek area about 750 meters south of the North Gold lens shows limited mineralization to the west and likely the limited loss of some previously inferred mineralization. Drilling down dip along the north-dipping West Fork deposit continued to expand mineralization to depth and toward the Bountiful and Southwest deposits.

### *2007 Program*

The 2007 drilling program for Galore Creek completed 15,000 meters of follow-up and exploration drilling. Targets concentrated on optimization of the mine schedule by targeting shallow moderate-grade resources that could displace low-grade stockpile material in years seven to nine of operations. Additional exploration focused on scoping potentially high-grade underground scenarios that could heighten the value of the project.

Drilling was carried out at three primary locations: Copper Canyon, the Grace Claims and the Lower Butte Zone. Drilling at the Lower Butte Zone suggests potential for resource additions. At the Copper Canyon deposit, drilling focused on testing up-slope historical soil anomalies, testing higher-grade targets discovered in 2006 and expanding on depth and lateral extensions of the current resource. As a result of the drilling at Copper Canyon, NOVAGOLD has earned a 60% interest in the neighbouring project. Significant additional drilling was completed to test the geotechnical characteristics of planned pit slopes, waste and tailings storage and water diversion facilities.

### *2008 Program*

The 2008 diamond drilling program at Galore Creek was carried out between June 25, 2008 and September 17, 2008. The program consisted of nine diamond drill holes totalling 2,050 meters. The main objectives of the program were to obtain important acid base accounting (“ABA”) data in the Central, Southwest, North Junction and Junction

pits, to confirm legacy grades in the Junction pit, and to collect metallurgical data in the Central pit for engineering design. Seven drill holes totaling 1,297 meters targeted gaps in the ABA model, specifically along the pit boundaries of the Central (South Gold Lens), Southwest and North Junction pits and within the core of the Junction pit. Two drill holes totaling 752 meters were drilled for the purpose of collecting metallurgical data in the chalcopyrite-rich Central Replacement Zone and the chalcopyrite-bornite-rich North Gold Lens.

#### *2009 Program*

There was no exploration program during 2009.

#### *2010 Program*

There were 9 drill holes, totaling 2,803 meters drilled into the Central Zone during 2010 for resource infill and metallurgical testing purposes.

#### *2011 Program*

The 2011 drilling program included 10,000 meters of resource infill drilling to confirm previous results produced from GCMC as well as to test the potential for upgrading and possible extensions of mineralization within the South Gold Lens and Bountiful areas of the Central pit.

#### *2012 Program*

The 2012 drilling program totaled 27,000 meters of resource infill and exploration drilling. The objective of the infill drilling was to increase resources and upgrade material in all categories. The exploration drilling resulted in the discovery of the Legacy zone adjacent to the Central reserve pit. Sufficient drilling was carried out in 2012 to support preparation of a new resource estimate, if GCMC decides to undertake that work in the future.

The Galore Creek project is host to seven under-explored copper-gold-silver prospects, five defined Mineral Resource areas, and numerous showings and conceptual target areas.

#### ***Galore Creek – Metallurgy***

The sulfide minerals at Galore Creek are predominately gold- and silver-bearing chalcopyrite, bornite and pyrite. A primary grind of 80% passing 200 microns provides sufficient rougher flotation liberation to separate the copper minerals from the pyrite and gangue. At this grind, the majority of the gold is either free or associated with the copper sulfides. The proposed treatment process uses conventional flotation to produce a precious-metal-bearing copper concentrate.

#### ***Galore Creek – Resource Estimate***

The measured and indicated mineral resource for the Galore Creek project (exclusive of mineral reserves) is estimated to total 286.7 million tonnes grading 0.33% copper, 0.27 g/t gold and 3.64 g/t silver for a total estimated metal content of 2,070 million pounds of copper, 2.53 million ounces of gold and 33.54 million ounces of silver at an NSR cut-off grade of \$10.08/t.

The updated inferred mineral resource, excluding the Company's 40% interest in the Copper Canyon project, is estimated to total 346.6 million tonnes grading 0.42% copper, 0.24 g/t gold and 4.28 g/t silver for a total estimated metal content of 3,230 million pounds of copper, 2.7 million ounces of gold and 47.7 million ounces of silver at an NSR cut-off grade of \$10.08/t.

**Galore Creek Mineral Resource Table, Effective Date July 11, 2011, G. Kulla, P.Geo.**

<b>Category</b>	<b>Tonnage (Million tonnes)</b>	<b>Cu Grade (%)</b>	<b>Au Grade (g/t)</b>	<b>Ag Grade (g/t)</b>	<b>Contained Cu (Billion pounds)</b>	<b>Contained Au (Million ounces)</b>	<b>Contained Ag (Million ounces)</b>
Measured	39.5	0.25	0.39	2.58	0.22	0.50	3.27
Indicated	247.2	0.34	0.26	3.81	1.85	2.04	30.26
Total Measured and Indicated	286.7	0.33	0.27	3.64	2.07	2.53	33.54
Inferred	346.6	0.42	0.24	4.28	3.23	2.70	47.73

*Notes to Accompany Mineral Resources Table:*

1. Mineral Resources are exclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. See “*Cautionary Note to United States Investors*”.
2. Mineral Resources are contained within a conceptual Measured, Indicated and Inferred optimized pit shell using the same economic and technical parameters as used for Mineral Reserves. Tonnages are assigned based on proportion of the block below topography. The overburden/bedrock boundary has been assigned on a whole block basis. Commodity prices used to constrain the Mineral Resources are US\$2.50/lb copper, US\$1,050/oz gold, and US\$16.85/oz silver.
3. Mineral resources have been estimated using a constant NSR cut-off of \$10.08/t milled. The Net Smelter Return (NSR) was calculated as follows: NSR = Recoverable Revenue – TCRC (on a per tonne basis), where: NSR = Diluted Net Smelter Return; TCRC = Transportation and Refining Costs; Recoverable Revenue = Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using the economic and technical parameters used for mineral reserves.
4. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.
5. Tonnage and grade measurements are in metric units. Contained gold and silver ounces are reported as troy ounces, contained copper pounds as imperial pounds.
6. 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 “*Cautionary Note to United States Investors*”.

A rigorous quality control and quality assurance protocol has been used on the project, including blank and reference samples with each batch of assays. All NOVAGOLD drill samples were analyzed by fire assay and ICP at ALS Chemex Labs in Vancouver, BC, Canada.

***Galore Creek – Mineral Reserve Estimate***

The proven and probable mineral reserve estimate for the Galore Creek project totals 528.0 million tonnes grading 0.59% copper, 0.32 g/t gold and 6.02 g/t silver for a total estimated metal content of 6.8 billion pounds of copper, 5.45 million ounces of gold and 102.1 million ounces of silver at an NSR cut-off grade of \$10.08/t.

**Mineral Reserve Statement, Effective Date July 11, 2011, Jay Melnyk, P.Eng.**

	<b>Tonnes (Million tonnes)</b>	<b>Diluted Grade</b>			<b>Contained Cu (Billion pounds)</b>	<b>Contained Au (Million ounces)</b>	<b>Contained Ag (Million ounces)</b>
		<b>Cu (%)</b>	<b>Au (g/t)</b>	<b>Ag (g/t)</b>			
Proven	69.0	0.61	0.52	4.94	0.9	1.15	11.0
Probable	459.1	0.58	0.29	6.18	5.9	4.30	91.2
Proven and Probable	528.0	0.59	0.32	6.02	6.8	5.45	102.1

*Notes to Accompany Mineral Reserves Table:*

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 prices for copper, gold and silver of US\$2.50/lb, US\$1,050/oz, and US\$16.85/oz, respectively. Mining and ore based costs (process, G&A and mine general) of \$1.60/t mined and \$10.08/t milled respectively; an exchange rate of US\$0.91 to Cdn\$1.00; variable recovery versus head grade relationships for both oxidized and non-oxidized material; appropriate smelting, refining and transportation costs; and inter ramp pit slope angles varying from 42° to 55°. See “*Cautionary Note to United States Investors*”.
2. Mineral Reserves are reported using a ‘cash flow grade’ (\$NSR/SAG mill hr) cut-off which was varied from year to year in the scheduling process to optimize NPV. The cash flow grade is a function of the NSR (\$/t) and SAG mill throughput (t/hr).

The net smelter return (NSR) was calculated as follows:  $NSR = Recoverable Revenue - TCRC$  (on a per tonne basis), where: NSR = Net Smelter Return; TCRC = Transportation and Refining Costs; Recoverable Revenue = Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using the economic and technical parameters mentioned above. SAG throughputs were modeled by correlation with alteration types.

3. The life of mine strip ratio is 2.16.
4. Rounding as required by reporting guidelines may result in apparent summation differences between tonnes, grade and contained metal content.
5. Tonnage and grade measurements are in metric units. Contained gold and silver ounces are reported as troy ounces, contained copper pounds as imperial pounds. See “*Cautionary Note to United States Investors*”.

### ***Galore Creek – Construction***

On June 5, 2007, NOVAGOLD announced that it had received the necessary Federal and Provincial authorizations and permits to allow NOVAGOLD’s Board of Directors to approve the start of construction at Galore Creek. Board approval for construction activities was contingent on receiving full Provincial and Federal authorization for the project. Federal authorization was posted to the Canadian Environmental Assessment Registry on June 4, 2007.

On July 31, 2007, the Provincial Government announced the issuance of a Mines Act permit for the Galore Creek project for construction of the access tunnel. An interim permit issued on July 4, 2007 authorized limited blasting to prepare and stabilize the rock face of the tunnel, as well as preparatory work for the sediment ponds. Receipt of the new permit authorized completion of the access road and tunnel and allowed for the start of earthworks in the Galore Creek Valley.

### ***Galore Creek – Construction Suspension***

On November 26, 2007, the Company announced that NOVAGOLD and Teck had reached the decision to suspend construction activities at the Galore Creek project. A review and completion of the first season of construction indicated substantially higher capital costs and a longer construction schedule for the project. This, combined with reduced operating margins as a result of the stronger Canadian dollar, would make the project, as conceived and permitted, uneconomic at what was considered then to be industry consensus long-term metal prices. NOVAGOLD and Teck continue to view the property as a substantial resource and are working to identify an alternative development strategy that may allow for the resumption of construction.

Prior to the suspension of construction, substantial work was completed at Galore Creek, including clearing 80% of the 135-kilometer road right-of-way, completing 66 kilometers of pioneer road, installing a number of key bridges and initiating work on the road access tunnel into the Galore Creek Valley. During the construction suspension and optimization period, the partners have maintained and intend to continue to maintain the existing infrastructure.

While permits granted for the original project design remain in place, the alternative project design will require new or additional permits before construction can resume.

### ***Galore Creek – Environmental Assessment and Permitting***

The Galore Creek environmental assessment process was initiated in February 2004. As part of the environmental assessment review process, a series of public meetings was held in various communities in the Galore Creek region, with the public and regulator comment periods running from July 10, 2006 to September 8, 2006 and September 22, 2006, respectively. The Tahltan Central Council, which was actively engaged in the entire assessment process, submitted their comments to the British Columbia Environmental Assessment Office (“BCEAO”) on October 18, 2006, including a letter of support from the Chair of the Tahltan Central Council. The permitting process for Galore Creek progressed as expected resulting in the receipt of the BC Provincial Environmental Assessment Certificate in February 2007. Federal authorizations were received during Q2-2007.

Although construction at the Galore Creek project was suspended in late 2007, the Canadian Federal and Provincial authorizations to proceed remain in good standing as do the majority of key permits required to continue construction. Specifically, since the Province has determined substantial construction of the project was initiated, the previous environmental assessment certificate remains valid without a time limit.

The new project design and configuration is different from the design that was permitted under the original environmental assessment certificate and that received Federal approval. Some of the most significant changes are:

- Better understanding of geochemistry, resulting in a different approach to waste rock and tailings management;
- Simplified waste and water management strategy in the Galore Creek Valley plant site and tailings relocated outside of the Galore Creek Valley, in a new previously unaffected watershed (West More);
- Deletion of 30 km section of access road down the Sphaler Valley to Porcupine and the Scott Simpson Valley, significantly reducing potential environmental impacts and geohazards;
- Deletion of the airstrip that was to be constructed in the Porcupine Valley; and
- Addition of new loadout facilities at the Port of Stewart.

While the new configuration is considered an improvement, with reduced overall environmental impacts, it is anticipated that a new environmental assessment process will be requested by the regulators for the changes. This will involve parallel and harmonized reviews by both the BCEAO and the Canadian Environmental Assessment Agency (“CEAA”). A comprehensive study report will be required through CEAA. It is anticipated that the entire environmental assessment review process will require approximately two years from submission of a project description to issuance of a new Environmental Assessment Certificate (by the BC government) and a decision by the federal Minister of Environment.

The existing Special Use Permit (“SUP”) for construction of the access road remains valid as long as there are no proposed changes to the SUP, thereby permitting GCMC to continue to build the access road. While there will eventually be changes to the SUP to accommodate the new mine design configuration, that relevant portion of the access road can be excluded from a new environmental assessment as long as any SUP mitigation plan measures (e.g., fish compensation and PAG rock management plans) are implemented. Changes to the current SUP will ultimately be required around the new tailings storage facility, plus a branch to the south portal of the tunnel to the Galore Creek Valley. An amendment to make these changes will be applied for once the environmental assessment process has been completed.

Existing permits associated with the existing construction camps, including water use and waste discharge, will continue to be maintained. All other project permits will have to be applied for following completion of the environmental assessment process, although the time-critical permits, such as those needed for starting the tunnelling can be prepared concurrent with the environmental assessment such that there should be little lag time following new environmental assessment certification before tunnelling could begin.

### ***Galore Creek – Financial Summary***

The PFS total capital cost estimate for the Galore Creek project is \$5.2 billion dollars. Capital costs are estimated with an accuracy range of +25% / -20% (including contingency). The project’s estimated net present value (NPV<sub>7%</sub>), using the PFS base case metal price assumptions set forth below, was assessed at \$837 million and \$137 million on a pre-tax and post-tax basis, respectively. The corresponding post-tax IRR of the project was estimated at 7.4%. Using the July 27, 2011 current price case at the time of release of the PFS set forth below, the pre-tax and post-tax NPV<sub>7%</sub> of the project were estimated at \$4.7 billion and \$2.7 billion, respectively, with a post-tax IRR estimated at 14%. Base case metal prices used in the PFS were US\$2.65/lb copper, US\$1,100/oz gold and US\$18.50/oz silver with a foreign exchange rate of US\$0.91 = Cdn\$1.00. The current metal prices used were closing prices on July 27, 2011 of US\$4.44/lb copper, US\$1,613/oz gold and US\$40.34/oz silver with foreign exchange rate of US\$1.05 = Cdn\$1.00.

### ***Galore Creek – Current Activities***

During 2012, expenditures at the Galore Creek project totaled approximately \$33.9 million, with 50% contributed by NOVAGOLD. Activities in 2012 included 27,000 meters of resource infill and exploration drilling as well as geotechnical, hydrogeological and overburden drilling to support future mine planning and engineering. The objective of the infill drilling was to increase resources and upgrade material in all categories, and the program produced a number of significant intersections, including 122 meters of 1.02% copper and 0.28 grams per tonne

gold. The exploration drilling resulted in the discovery of the Legacy zone adjacent to the Central reserve pit and included an intersection of 86.5 meters of 1.31% copper and 0.46 grams per tonne gold. Sufficient drilling was carried out in 2012 to allow preparation of a new resource estimate which could support an updated pre-feasibility study or a future feasibility study.

During 2013, the Company intends to continue to evaluate opportunities to monetize the value of Galore Creek; to update the resource model based on the 2012 drill results; to follow-up on positive drill results by testing additional targets with approximately 10,000 meters of planned drilling; and potentially to increase resources.

The PFS identified opportunities to extend the mine life, improve the production profile, and potentially reduce the capital requirements of the Galore Creek base case scenario. Further work has subsequently been completed to move forward with enhancements to the project description required for permitting and to support a feasibility decision. Areas identified for improvement include an assessment of an increased production profile and potential extension of the mine life as well as a possible reduction of initial capital cost. During 2012, GCMC conducted resource infill and exploration drilling, as well as geotechnical, hydrogeological and overburden drilling to support future mine planning and engineering. The exploration drilling resulted in the discovery of the Legacy zone adjacent to the Central reserve pit. The results of prior project optimization work and the 2012 drilling will provide the basis for the Company and Teck to consider proceeding to a feasibility study and permitting. Depending on the results of this analysis, GCMC may consider resuming road construction activities and move into feasibility and permitting activities to advance Galore Creek toward a construction decision. A preliminary budget has been discussed and would be refined for these activities at the time a decision is made to proceed. At Galore Creek, GCMC has approved a 2013 budget of approximately \$16.0 million.

#### *Copper Canyon Acquisition*

Under the Copper Canyon Option Agreement, NOVAGOLD had the option to acquire up to an 80% interest in the Copper Canyon property, which is immediately east of the main Galore Creek property. An initial 60% interest could be earned by expending \$3.0 million on the property, issuing 296,296 common shares of NOVAGOLD (all of which have been issued) and making property payments of up to \$0.25 million. An additional 20% interest in the property could be earned by paying \$1.0 million and completing a feasibility study by September 2011. On November 14, 2007, the Company provided notice to Copper Canyon Resources Ltd. ("Copper Canyon") that it had completed its earn-in requirements to earn a 60% interest in the Copper Canyon property. On February 12, 2008, NOVAGOLD notified Copper Canyon that it would not exercise the second option for an additional 20% interest in the Copper Canyon property and, upon such notice, was deemed to have formed a joint venture with Copper Canyon to develop the property. The Copper Canyon property is subject to a 2% NSR royalty which may be reduced to 0.5% by the payment of \$2.0 million to the royalty holder.

On May 20, 2011, NOVAGOLD completed the acquisition of Copper Canyon Resources Ltd. ("Copper Canyon") a junior exploration company whose principal asset was its 40% joint venture interest in the Copper Canyon copper-gold-silver property that is adjacent to the Galore Creek project. A wholly-owned subsidiary of NOVAGOLD holds the remaining 60% joint venture interest in the Copper Canyon property which it has agreed to transfer to the Galore Creek Partnership. Under the acquisition arrangement, NOVAGOLD acquired all of the issued and outstanding common shares of Copper Canyon which it did not already hold. As a result, Copper Canyon is now a wholly-owned subsidiary of NOVAGOLD. NOVAGOLD issued a total of 4,171,303 common shares under the arrangement, representing approximately 1.7% of the number of NOVAGOLD common shares then outstanding and paid cash of \$2,557,000. Under the arrangement, Copper Canyon transferred to a new company, Omineca Mining and Metals Ltd. ("Omineca"), substantially all of its assets other than certain cash and its 40% interest in the Copper Canyon property. NOVAGOLD holds and exercises control over an aggregate of 1,725,858 common shares of Omineca, representing approximately 10.8% of Omineca's outstanding common shares. The Omineca shares are being held by NOVAGOLD as a portfolio investment.



## **Risk Factors**

An investment in the Company is speculative and involves a high degree of risk due to the nature of the Company's business and the present stage of exploration and development of its mineral properties. The following risk factors, as well as risks not currently known to the Company, could materially adversely affect the Company's future business, operations and financial condition and could cause them to differ materially from the estimates described in the forward-looking statements relating to the Company and should be read in conjunction with the Risk Factors in the Company's year-end Management's Discussion and Analysis which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

***NOVAGOLD has no history of commercially producing precious or base metals from its mineral exploration properties and there can be no assurance that it will successfully establish mining operations or profitably produce precious or base metals.***

None of NOVAGOLD's mineral properties are in production, NOVAGOLD has no history of commercially producing precious or base metals from its current portfolio of mineral exploration properties, and the Company has no ongoing mining operations or revenue from mining operations. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. None of the Company's properties are currently under construction. The future development of any properties found to be economically feasible will require obtaining permits and financing and the construction and operation of mines, processing plants and related infrastructure, including road access. As a result, NOVAGOLD is subject to all of the risks associated with establishing new mining operations and business enterprises, including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities and related infrastructure;
- the availability and cost of skilled labor and mining equipment;
- the availability and cost of appropriate smelting and/or refining arrangements;
- the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits;
- the availability of funds to finance construction and development activities;
- potential opposition from non-governmental organizations, environmental groups or local groups which may delay or prevent development activities; and
- potential increases in construction and operating costs due to changes in the cost of fuel, power, materials and supplies and foreign exchange rates.

The costs, timing and complexities of mine construction and development are increased by the remote location of the Company's mining properties, with additional challenges related thereto, including road access, water and power supply and other support infrastructure. Cost estimates may increase significantly as more detailed engineering work and studies are completed on a project. It is common in new mining operations to experience unexpected costs, problems and delays during development, construction and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there are no assurances that the Company's activities will result in profitable mining operations or that the Company will successfully establish mining operations or profitably produce precious or base metals at any of its properties.

In addition, there is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of ore. If further mineralization is discovered there is also no assurance that the mineralized material would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors which are beyond the Company's control, including the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

***Actual capital costs, operating costs, production and economic returns may differ significantly from those NOVAGOLD has anticipated and there are no assurances that any future development activities will result in profitable mining operations.***

The capital costs to take the Company's projects into production may be significantly higher than anticipated. Escalation of costs was a significant factor in the decisions to suspend construction at Galore Creek in 2007 and commissioning at Rock Creek. On December 5, 2011, the Company announced the total capital cost estimate for the Donlin Gold project of approximately US\$6.7 billion including costs related to the natural gas pipeline. The previous capital cost estimate for the project released in April 2009 was US\$4.5 billion and did not include a natural gas pipeline.

None of the Company's mineral properties have an operating history upon which the Company can base estimates of future operating costs. Decisions about the development of these and other mineral properties will ultimately be based upon feasibility studies. Feasibility studies derive estimates of cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the ore to be mined and processed;
- anticipated recovery rates of gold, copper and other metals from the ore;
- cash operating costs of comparable facilities and equipment; and
- anticipated climatic conditions.

Capital costs, operating costs, production and economic returns, and other estimates contained in studies or estimates prepared by or for the Company may differ significantly from those anticipated by NOVAGOLD's current studies and estimates, and there can be no assurance that the Company's actual operating costs will not be higher than currently anticipated.

***The figures for NOVAGOLD's mineral resources and mineral reserves are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated.***

Unless otherwise indicated, mineralization figures presented in this AIF and in the Company's other filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by Company personnel and independent geologists. These estimates are imprecise and depend upon geologic interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that:

- these estimates will be accurate;
- mineral reserve, mineral resource or other mineralization figures will be accurate; or
- this mineralization could be mined or processed profitably.

Because the Company has not commenced commercial production at any of its properties, mineralization estimates for the Company's properties may require adjustments or downward revisions based upon further exploration or development work or actual production experience. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by drilling results. There can be no assurance that minerals recovered in small-scale tests will be duplicated in large-scale tests under on-site conditions or in production scale.

The estimating of mineral reserves and mineral resources is a subjective process that relies on the judgment of the persons preparing the estimates. The process relies on the quantity and quality of available data and is based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. By their nature, mineral resource and reserve estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. There can be no assurances that actual results will meet the estimates contained in studies. As well, further studies are required.

Estimated mineral reserves or mineral resources may have to be recalculated based on changes in metal prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence mineral reserve or mineral resource estimates. The extent to which mineral resources may ultimately be reclassified as mineral reserves is dependent upon the demonstration of their profitable recovery. Any material

changes in mineral resource estimates and grades of mineralization will affect the economic viability of placing a property into production and a property's return on capital. The Company cannot provide assurance that mineralization can be mined or processed profitably.

The resource and reserve estimates contained in this AIF have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for gold, silver and copper may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the Company's ability to extract this mineralization, could have a material adverse effect on NOVAGOLD's results of operations or financial condition.

The Company has established the presence of proven and probable reserves only at its Donlin Gold and Galore Creek properties. There can be no assurance that any resource estimates for the Company's mineral projects will ultimately be reclassified as mineral reserves. There can be no assurance that subsequent testing or future studies will establish proven and probable mineral reserves at the Company's other properties. The failure to establish proven and probable mineral reserves could restrict the Company's ability to successfully implement its strategies for long-term growth and could impact future cash flows, earnings, results of operation and financial condition.

***NOVAGOLD's ability to continue its exploration activities and any future development activities, and to continue as a going concern, will depend in part on its ability to commence production and generate material revenues or to obtain suitable financing.***

NOVAGOLD has limited financial resources. The Company intends to fund its plan of operations from working capital and the proceeds of financings. In the future, the Company's ability to continue its exploration and development activities, if any, will depend in part on the Company's ability to obtain suitable financing. Any unexpected costs, problems or delays could severely impact the Company's ability to continue exploration and development activities.

There can be no assurance that the Company will commence production at any of its mineral properties or generate sufficient revenues to meet its obligations as they become due or obtain necessary financing on acceptable terms, if at all. The Company's failure to meet its ongoing obligations on a timely basis could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties. In addition, should the Company incur significant losses in future periods, it may be unable to continue as a going concern, and realization of assets and settlement of liabilities in other than the normal course of business may be at amounts materially different than the Company's estimates.

***NOVAGOLD will require external financing or may need to enter into a strategic alliance or sell property interests to develop its mineral properties.***

The Company will need external financing to develop and construct the Donlin Gold and, if applicable, the Galore Creek projects. The mineral properties that the Company is likely to develop are expected to require significant capital expenditures. The sources of external financing that the Company may use for these purposes include project or bank financing, or public or private offerings of equity or debt. In addition, the Company may enter into a strategic alliance, decide to sell certain property interests, and may utilize one or a combination of all these alternatives. There can be no assurance that the financing alternative chosen by the Company will be available on acceptable terms, or at all. The failure to obtain financing could have a material adverse effect on the Company's growth strategy and results of operations and financial condition. In addition, the Company may have to postpone further exploration or development of, or sell, one or more of its properties.

***NOVAGOLD is dependent on third parties that participate in or are responsible for exploration and development on its properties.***

NOVAGOLD's success may be dependent on the efforts and expertise of third parties with whom the Company has contracted. Most of the properties in which NOVAGOLD holds interests are subject to third party contracts. With respect to each of Donlin Gold and Galore Creek, the Company holds a 50% interest and the remaining 50% interest is held by a third party that is not under NOVAGOLD's control or direction. The Company is dependent on such

third parties for accurate information relating to its mining properties and related assets and the progress and development of such properties and assets. A third party may also be in default of its agreement with NOVAGOLD, without the Company's knowledge, which may put the property and related assets at risk. Third parties may also have different priorities which could impact the timing of development of Donlin Gold and Galore Creek.

***NOVAGOLD is exposed to credit, liquidity, interest rate and currency risk.***

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash equivalents and short-term investments are held through large Canadian financial institutions. Short-term and long-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period. The Company's HST and other receivables consist of general sales tax due from the Federal Government of Canada and amounts due from related parties. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure and financial leverage. Accounts payable, accrued liabilities and coupon interest on the convertible notes are due within one year from the balance sheet date.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments, although available-for-sale, are generally held to maturity. In respect of financial liabilities, the bridge loan, convertible notes and capital leases are not subject to interest rate risk because they are at fixed rates. 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, 2011, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of \$0.7 million in the interest accrued by the Company per annum.

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. Based on the Company's net exposures as at November 30, 2012, and assuming that all other variables remain constant, a 5% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of \$4.1 million in the Company's consolidated comprehensive income (loss).

***General economic conditions may adversely affect the Company's growth, future profitability and ability to finance.***

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries, including the mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A worsening or slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Company's growth and ability to finance. Specifically:

- the global credit/liquidity crisis could impact the cost and availability of financing and the Company's overall liquidity;
- the volatility of metal prices would impact the Company's revenues, profits, losses and cash flow;
- negative economic pressures could adversely impact demand for the Company's production;
- construction related costs could increase and adversely affect the economics of any of the Company's projects;

- volatile energy, commodity and consumables prices and currency exchange rates would impact the Company's production costs; and
- the devaluation and volatility of global stock markets would impact the valuation of the Company's equity and other securities.

***Significant uncertainty exists related to inferred mineral resources.***

There is a risk that inferred mineral resources referred to in this Annual Information Form cannot be converted into measured or indicated mineral resources. Due to the uncertainty relating to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological and grade continuity to constitute measured and indicated resources as a result of continued exploration.

***Lack of infrastructure could delay or prevent NOVAGOLD from developing advanced projects.***

Completion of the development of the Company's advanced projects is subject to various requirements, including the availability and timing of acceptable arrangements for power, water, transportation, access and facilities. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay development of the Company's advanced projects. There can be no assurance that adequate infrastructure, including road access, will be built, that it will be built in a timely manner or that the cost of such infrastructure will be reasonable or that it will sufficiently satisfy the requirements of the advanced projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that:

- the development of the Company's projects will be commenced or completed on a timely basis, if at all;
- the resulting operations will achieve the anticipated production volume; or
- the construction costs and ongoing operating costs associated with the development of the Company's advanced projects will not be higher than anticipated.

Access to Donlin Gold and Galore Creek is limited and there is no infrastructure in the respective areas. Furthermore, at Galore Creek, a minimum 13.6 km long, 9.5 m diameter tunnel is needed for vehicular access into the Galore Creek valley. Tunnels are high risk undertakings and in the case of Galore Creek, tunneling risks are further exacerbated by deep cover, restricted access for gathering necessary geotechnical data, and the uncertainty of encountering unexpected geological structures and formations during tunneling. Cost and schedule estimates may increase significantly as more detailed engineering work, geotechnical and geological studies are completed.

***Mining is inherently dangerous and subject to conditions or events beyond NOVAGOLD's control, which could have a material adverse effect on NOVAGOLD's business.***

Mining involves various types of risks and hazards, including:

- environmental hazards;
- industrial accidents;
- metallurgical and other processing problems;
- unusual or unexpected rock formations;
- structural cave-ins or slides;
- flooding;
- fires;
- power outages;
- labor disruptions;
- explosions;
- landslides and avalanches;
- mechanical equipment and facility performance problems;
- availability of materials and equipment;
- metals losses; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties; personal injury or death, including to employees; environmental damage; delays in mining; increased production costs; asset write downs; monetary losses; and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse impact on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

Exploration, construction and production activities may be limited and delayed by inclement weather and shortened exploration, construction and development seasons.

***NOVAGOLD requires various permits to conduct its current and anticipated future operations, and delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that NOVAGOLD has obtained, could have a material adverse impact on NOVAGOLD.***

The Company's current and anticipated future operations, including further exploration and development activities and commencement of production on the Company's properties, require permits from various United States and Canadian federal, state, provincial, territorial and local governmental authorities. There can be no assurance that all permits that the Company requires for the construction of mining facilities and to conduct mining operations will be obtainable on reasonable terms, or at all. Delays or a failure to obtain such permits, or a failure to comply with the terms of any such permits that the Company has obtained, could have a material adverse impact on the Company.

The duration and success of efforts to obtain and renew permits are contingent upon many variables not within the Company's control. Shortage of qualified and experienced personnel in the various levels of government could result in delays or inefficiencies. Backlog within the permitting agencies could affect the permitting timeline of the various projects. Other factors that could affect the permitting timeline include (i) the number of other large-scale projects currently in a more advanced stage of development which could slow down the review process and (ii) significant public response regarding a specific project. As well, it can be difficult to assess what specific permitting requirements will ultimately apply to all the projects.

***Changes in the market price of gold, copper and other metals, which in the past have fluctuated widely, affect the financial condition of NOVAGOLD.***

The Company's profitability and long-term viability depend, in large part, upon the market price of gold, copper and other metals and minerals produced from the Company's mineral properties. The market price of gold and other metals is volatile and is impacted by numerous factors beyond the Company's control, including:

- global or regional consumption patterns;
- expectations with respect to the rate of inflation;
- the relative strength of the U.S. dollar and certain other currencies;
- interest rates;
- global or regional political or economic conditions, including interest rates and currency values;
- supply and demand for jewellery and industrial products containing metals; and
- sales by central banks and other holders, speculators and producers of metals in response to any of the above factors.

The Company cannot predict the effect of these factors on metal prices. A decrease in the market price of gold, copper and other metals could affect the Company's ability to finance the development of the Donlin Gold and Galore Creek projects, and the exploration and development of other mineral properties held by NOVAGOLD, which would have a material adverse effect on the Company's financial condition and results of operations. There can be no assurance that the market price of gold, copper and other metals will remain at current levels or that such prices will improve. In particular, an increase in worldwide supply, and consequent downward pressure on prices, may result over the longer term from increased production from mines developed or expanded as a result of current metal price levels. There is no assurance that if commercial quantities of gold, copper and other metals are

discovered, that a profitable market may exist or continue to exist for a production decision to be made or for the ultimate sale of the metals.

***The Company is subject to significant governmental regulation.***

The Company's operations and exploration and development activities in Canada and the United States are subject to extensive federal, state, provincial, territorial and local laws and regulations governing various matters, including:

- environmental protection;
- management and use of toxic substances and explosives;
- management of tailings and other wastes generated by the Company's operations;
- management of natural resources;
- exploration and development of mines, production and post-closure reclamation;
- exports;
- price controls;
- taxation and mining royalties;
- regulations concerning business dealings with native groups;
- management of tailing and other waste generated by operations;
- labor standards and occupational health and safety, including mine safety; and
- historic and cultural preservation.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining, curtailing or closing operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in the Company incurring significant expenditures. The Company may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or a more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the exploration and development of the Company's properties.

***NOVAGOLD's activities are subject to environmental laws and regulations that may increase the Company's costs of doing business and restrict its operations.***

All of the Company's exploration, potential development and production activities in Canada and the United States are subject to regulation by governmental agencies under various environmental laws. To the extent that the Company conducts exploration activities or undertakes new mining activities in other foreign countries, the Company will also be subject to environmental laws and regulations in those jurisdictions. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species, and reclamation of lands disturbed by mining operations. Environmental legislation in many countries is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect the Company's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time.

Environmental hazards may exist on the Company's properties that are unknown to the Company at the present time, and that have been caused by previous owners or operators or that may have occurred naturally. The Company may be liable for remediating such damage.

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulator or judicial authorities, causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

***NOVAGOLD has ongoing reclamation on some of its mineral properties and may be required to fund additional work that could have a material adverse effect on its financial position.***

Land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance. Reclamation may include requirements to:

- treat ground and surface water to drinking water standards;
- control dispersion of potentially deleterious effluents; and
- reasonably re-establish pre-disturbance land forms and vegetation.

The Company's Donlin Gold and Galore Creek projects have been subject to either historical mining operations or exploration activities by prior owners. The Company has been carrying out certain remediation against previous exploration activities at Galore Creek. Exploration activities at Donlin Gold and Galore Creek have created disturbance that must be reclaimed. The initial access road construction at Galore Creek also would need to be reclaimed, if the Galore Creek project is not developed. Financial resources spent on reclamation might otherwise be spent on further exploration and development programs. In addition, regulatory changes could increase the Company's obligations to perform reclamation and mine closing activities. There can be no assurance that the Company will not be required to fund additional reclamation work at these sites that could have a material adverse effect on the Company's financial position.

***Title and other rights to NOVAGOLD's mineral properties cannot be guaranteed, are subject to agreements with other parties and may be subject to prior unregistered agreements, transfers or claims and other defects.***

The Company cannot guarantee that title to its properties will not be challenged. The Company may not have, or may not be able to obtain, all necessary surface rights to develop a property. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be severely constrained. The Company's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. The Company has not conducted surveys of all of the claims in which it holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in the Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties. This could result in the Company not being compensated for its prior expenditure relating to the property.

In addition, the ability of the Company to continue to explore and develop the property may be subject to agreements with other third parties including agreements with native corporations and first nations groups, for instance, the Company's subsurface and surface rights at the Donlin Gold property are subject to leases from Calista and TKC, two Native Alaskan corporations.

***There is uncertainty related to unsettled aboriginal rights and title in British Columbia and this may adversely impact NOVAGOLD's operations and profit.***

Native land claims in British Columbia remain the subject of active debate and litigation. The Galore Creek project lies within the traditional territory of the Tahltan Nation and the Tahltan – like the majority of British Columbia's First Nations – have not concluded a comprehensive treaty or land claims settlement regarding their traditional territories. There can be no guarantee that the unsettled nature of land claims in British Columbia will not create delays in project approval or unexpected interruptions in project progress, or result in additional costs to advance the project.

***NOVAGOLD has a history of losses and expects to incur losses for the foreseeable future.***

The Company has incurred losses in the past and the Company expects to continue to incur losses unless and until such time as one or more of its properties enter into commercial production and generate sufficient revenues to fund continuing operations. The Company incurred an operating loss of \$79.0 million for the year ended November 30, 2012.



The development of the Company's properties will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and the Company's acquisition of additional properties, some of which are beyond the Company's control. There can be no assurance that the Company will ever achieve profitability.

***NOVAGOLD may be subject to legal proceedings.***

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurances that these matters will not have a material adverse effect on the Company's business.

***An event of default under the Company's unsecured senior convertible notes (the "Notes") may significantly reduce NOVAGOLD's liquidity and adversely affect NOVAGOLD's business.***

Under the base indenture and supplemental indenture governing the Notes, NOVAGOLD made various covenants to the trustee on behalf of the holders of the Notes, including to make payments of interest and principal when due and, upon undergoing a fundamental change, to offer to purchase all of the outstanding Notes. The indenture is available for review on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

If there is an event of default under the Notes, the principal amount of the Notes, plus accrued and unpaid interest, if any, may be declared immediately due and payable. If such an event occurs, NOVAGOLD could lose its properties and NOVAGOLD's shareholders could lose their entire investment.

***The Company's majority shareholder has significant influence on the Company and may also affect the market price and liquidity of the Securities.***

Electrum Strategic Resources L.P. and its affiliate GRAT Holdings LLC ("Electrum") hold in the aggregate 27.2% of NOVAGOLD's issued and outstanding shares as of December 31, 2012 after exercising the entirety of its remaining share purchase warrants. Accordingly, Electrum will have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of the Company's assets and other significant corporate actions. Unless full participation of all shareholders takes place in such shareholder meetings, Electrum may be able to approve such matters itself. The concentration of ownership of the shares by Electrum may: (i) delay or deter a change of control of the Company; (ii) deprive shareholders of an opportunity to receive a premium for their shares as part of a sale of the Company; and (iii) affect the market price and liquidity of the shares. In conjunction with the January 22, 2009 financing, NOVAGOLD provided Electrum with the right to designate an observer at all meetings of the Board of Directors of NOVAGOLD and any committee thereof so long as Electrum and its affiliates hold not less than 15% of the Company's common shares. Electrum designated Igor Levental as its observer at NOVAGOLD Board of Directors meetings. In July 2010, NOVAGOLD appointed Igor Levental as a Director of NOVAGOLD. In November 2011, Dr. Thomas S. Kaplan, was appointed the Chairman of the Board for NOVAGOLD. Mr. Kaplan is also the Chairman and Chief Executive Officer of The Electrum Group LLC. As long as Electrum maintains its shareholding in the Company, Electrum will have significant influence in determining the members of the Board of Directors. Without the consent of Electrum, the Company could be prevented from entering into transactions that are otherwise beneficial to the Company. The interests of Electrum may differ from or be adverse to the interests of the Company's other shareholders. The effect of these rights and Electrum's influence may impact the price that investors are willing to pay for securities. If Electrum sells a substantial number of shares in the public market, the market price of the shares could fall. The perception among the public that these net sales will occur could also contribute to a decline in the market price of the shares.

***Recent high metal prices have encouraged mining exploration, development and construction activity, which has increased demand for and cost of contract mining services and equipment.***

Recent increases in metal prices have encouraged increases in mining exploration, development and construction activities, which have resulted in increased demand for and cost of contract exploration, development and construction services and equipment. Increased demand for and cost of services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increased potential for scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs, result in project delays, or both. Increased costs were a significant factor in the decision to suspend construction at Galore Creek in 2007 and there can be no assurance that increased costs may not adversely affect the Company's development of its properties in the future.

***Increased competition could adversely affect NOVAGOLD's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.***

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing metals. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company or are further advanced in their development or are significantly larger and have access to greater mineral reserves, for the acquisition of mineral claims, leases and other mineral interests. The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. Competition for exploration resources at all levels is currently very intense, particularly affecting the availability of manpower, drill rigs and helicopters. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future. If the Company is unsuccessful in acquiring additional mineral properties or qualified personnel, it will not be able to grow at the rate it desires, or at all.

***NOVAGOLD may experience difficulty attracting and retaining qualified management and technical personnel to meet the needs of its anticipated growth, and the failure to manage NOVAGOLD's growth effectively could have a material adverse effect on the Company's business and financial condition.***

The Company is dependent on the services of key executives including the Company's President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing the Company's interests and the advancement of the Donlin Gold and Galore Creek projects, in addition to the identification of new opportunities for growth and funding. Due to the Company's relatively small size, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees required for the development of the Company's activities may have a material adverse effect on the Company's business or future operations.

***NOVAGOLD does not currently intend to use forward sales arrangements to protect against low commodity prices; therefore, NOVAGOLD's operating results are exposed to the impact of any significant drop in commodity prices.***

The Company does not currently intend to enter into forward sales arrangements to reduce the risk of exposure to volatility in commodity prices. Accordingly, NOVAGOLD's future operations are exposed to the impact of any significant decrease in commodity prices. If such prices decrease significantly at a time when the Company is producing, the Company would realize reduced revenues. While it is not the Company's current intention to enter into forward sales arrangements, the Company is not restricted from entering into forward sales arrangements at a future date.

***There can be no assurance that NOVAGOLD will successfully acquire additional mineral rights.***

Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. If current exploration programs do not result in the discovery of commercial ore, the Company may need to write-off part or all of its investment in existing exploration stage properties, and may need to acquire additional properties. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

NOVAGOLD's future growth and productivity will depend, in part, on its ability to identify and acquire additional mineral rights, and on the costs and results of continued exploration and development programs. Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to:

- establish ore reserves through drilling and metallurgical and other testing techniques;
- determine metal content and metallurgical recovery processes to extract metal from the ore; and
- construct, renovate or expand mining and processing facilities.

In addition, if the Company discovers a mineral deposit, it would take several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change. As a result of these uncertainties, there can be no assurance that the Company will successfully acquire additional mineral rights.

***NOVAGOLD may experience problems integrating new acquisitions into existing operations, which could have a material adverse effect on NOVAGOLD.***

The Company may make selected acquisitions in the future, with a focus on late-stage development projects. The Company's success at completing any acquisitions will depend on a number of factors, including, but not limited to:

- identifying acquisitions that fit NOVAGOLD's business strategy;
- accurately assessing the value, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates;
- negotiating acceptable terms with the seller of the business or property to be acquired; and
- obtaining approval from regulatory authorities in the jurisdictions of the business or property to be acquired.

If the Company does make further acquisitions, any positive effect on the Company's results will depend on a variety of factors, including, but not limited to:

- assimilating the operations of an acquired business or property in a timely and efficient manner;
- maintaining the Company's financial and strategic focus while integrating the acquired business or property;
- achieving identified and anticipated operating and financial synergies;
- unanticipated costs;
- diversion of management attention from existing business;
- potential loss of key employees or key employees of any business acquired;
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition;
- decline in the value of acquired properties, companies or securities;
- implementing uniform standards, controls, procedures and policies at the acquired business, as appropriate; and
- to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

Acquiring additional businesses or properties could place increased pressure on the Company's cash flow if such acquisitions involve a cash consideration. The integration of the Company's existing operations with any acquired business will require significant expenditures of time, attention and funds. Achievement of the benefits expected from consolidation would require the Company to incur significant costs in connection with, among other things, implementing financial and planning systems. The Company may not be able to integrate the operations of a recently acquired business or restructure the Company's previously existing business operations without encountering difficulties and delays. In addition, this integration may require significant attention from the Company's management team, which may detract attention from the Company's day-to-day operations. Over the short-term, difficulties associated with integration could have a material adverse effect on the Company's business, operating results, financial condition and the price of the Company's common shares. In addition, the acquisition of mineral properties may subject the Company to unforeseen liabilities, including environmental liabilities, which could have a material adverse effect on NOVAGOLD. There can be no assurance that any future acquisitions will be successfully integrated into NOVAGOLD's existing operations and such acquisition may result in a material adverse effect on the financial condition of the Company.

In addition, the Company anticipates that as it brings its mineral properties into production and as the Company acquires additional mineral rights, the Company will experience significant growth in its operations. The Company expects this growth to create new positions and responsibilities for management and technical personnel and to increase demands on its operating and financial systems. There can be no assurance that the Company will successfully meet these demands and effectively attract and retain additional qualified personnel to manage its anticipated growth. The failure to attract such qualified personnel to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

***Unknown liabilities in connection with acquisitions.***

As part of the Company's acquisitions, the Company has assumed liabilities and risks. While the Company conducted due diligence, there may be liabilities or risks that the Company failed, or was unable, to discover in the course of performing the due diligence investigations or for which the Company was not indemnified. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Company's financial position and results of operations.

***Some of the directors have conflicts of interest as a result of their involvement with other natural resource companies.***

Certain of the directors of the Company also serve as directors, or have significant shareholdings in, other companies involved in natural resource exploration and development or mining-related activities; for example, following completion of the Plan certain directors serve as directors of the Company and NovaCopper. To the extent that such other companies may participate in ventures in which the Company may participate in, or in ventures which the Company may seek to participate in, the directors may have a conflict of interest. In all cases where the directors have an interest in other companies, such other companies may also compete with the Company for the acquisition of mineral property investments. Such conflicts of the directors may result in a material and adverse effect on the Company's profitability, results of operation and financial condition. As a result of these conflicts of interest, the Company may miss the opportunity to participate in certain transactions, which may have a material adverse effect on the Company's financial position.

***Global climate change is an international concern, and could impact the Company's ability to conduct future operations.***

Global climate change is an international issue and receives an enormous amount of publicity. The Company would expect that the imposition of international treaties or U.S. or Canadian federal, state, provincial or local laws or regulations pertaining to mandatory reductions in energy consumption or emissions of greenhouse gasses could affect the feasibility of mining projects and increase operating costs.

***Opposition to Company operations from local stakeholders or non-governmental organizations could have a material adverse effect on the Company.***

There is an increasing level of public concern relating to the effect of mining production on its surroundings, communities and environment. Local communities and non-governmental organizations (“NGOs”), some of which oppose resource development, are often vocal critics of the mining industry. While the Company seeks to operate in a socially responsible manner, opposition to extractive industries or the Company’s operations specifically or adverse publicity generated by local communities or NGOs related to extractive industries, or the Company’s operations specifically, could have an adverse effect on the reputation and financial condition of the Company or its relationships with the communities in which it operates. As a result of such opposition or adverse publicity, the Company may be unable to obtain permits necessary for its operations or to continue its operations as planned or at all.

***The Company may fail to achieve and maintain the adequacy of internal control over financial reporting as per the requirements of the Sarbanes-Oxley Act.***

The Company has documented and tested its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act (“SOX”). SOX requires an annual assessment by management of the effectiveness of the Company’s internal control over financial reporting and an attestation report by the Company’s independent auditors addressing this assessment. At November 30, 2012, management concluded that the Company’s internal control over financial reporting was effective. The Company may in the future fail to achieve and maintain the adequacy of its internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, and the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting in accordance with Section 404 of SOX. The Company’s failure to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could harm the Company’s business and negatively impact the trading price of its common shares. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company’s operating results or cause it to fail to meet its reporting obligations. Future acquisitions of companies may provide the Company with challenges in implementing the required processes, procedures and controls in its acquired operations. Acquired companies may not have disclosure control and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company’s internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company’s control and procedures could also be limited by simple errors or faulty judgments. In addition, should the Company expand in the future, the challenges involved in implementing appropriate internal controls over financial reporting will increase and will require that the Company continue to improve its internal controls over financial reporting. Although the Company intends to devote substantial time and incur substantial costs, as necessary, to ensure compliance, the Company cannot be certain that it will be successful in complying with Section 404 on an ongoing basis.

***The Company is likely to lose its status as a foreign private issuer under U.S. federal securities laws, resulting in additional expenses associated with compliance with the U.S. securities laws applicable to U.S. domestic issuers.***

As a foreign private issuer, the Company is exempt from certain of the provisions of the U.S. federal securities laws. For example, the U.S. proxy rules and the Section 16 reporting and “short swing” profit rules do not apply to foreign private issuers. However, as a result of recent officer appointments (as described more fully above under the heading “General Development of the Business – Three Year History, Changes to Senior Management”), the Company anticipates that it will lose its status as a foreign private issuer as early as December 1, 2013. The disposition of the Galore Creek project also would affect the Company’s status as a foreign private issuer. If the Company loses its status as a foreign private issuer, the aforementioned regulations would apply and the Company also would be required to commence reporting on forms required of U.S. companies, such as Forms 10-K, 10-Q and 8-K, rather than the forms currently available to the Company, such as Forms 40-F and 6-K. Compliance with these additional disclosure and timing requirements under these securities laws would likely result in increased expenses and would require Company management to devote substantial time and resources to comply with new regulatory requirements

following a loss of foreign private issuer status. Further, to the extent that the Company was to offer or sell securities outside of the United States, the Company would have to comply with the more restrictive Regulation S requirements that apply to U.S. companies, and it would no longer be able to utilize the multijurisdictional disclosure system forms for registered offerings by Canadian companies in the United States, which could limit the Company's ability to access the capital markets in the future.

***Increased Regulatory Compliance Costs Relating to the Dodd-Frank Act.***

In July 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" ("Dodd-Frank Act") was enacted, representing an overhaul of the framework for regulation of U.S. financial markets. The Dodd-Frank Act calls for various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, to establish regulations for implementation of many of the provisions of the Dodd-Frank Act, and the Company anticipates that these new regulations will provide additional clarity regarding the extent of the impact of this legislation on the Company. If the Company's efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against the Company and its business may be harmed. Dodd-Frank also requires companies in the mining industry to disclose in their periodic reports filed with the SEC substantial additional information about safety issues relating to their mining operations and will require us to disclose on an annual basis, beginning in 2014, certain payments made by us, our subsidiaries or entities we control, to the U.S. government and foreign governments, including sub-national governments. This heightened scrutiny could generate negative publicity for the mining industry, increase the cost of compliance with mining regulations or result in the passage of new laws and regulations, any of which could negatively affect the Company's business results. NOVAGOLD may also need to incur additional costs and invest additional resources, including management's time, in order to comply with the new regulations and anticipated additional reporting and disclosure obligations. While the Company is not able to assess the full impact of the Dodd-Frank Act until all the implementing regulations have been adopted, based on the information available to the Company at this time, the Company does not believe provisions of the regulations implementing the Dodd-Frank Act will have a material adverse effect on the Company's financial position, results of operations or cash flows.

***Acquiring, holding or disposing of NOVAGOLD's securities may have tax consequences under the laws of Canada and the United States that are not disclosed in this Annual Information Form and, in particular, potential investors should be aware that NOVAGOLD may be a "passive foreign investment company" under the U.S. Internal Revenue Code and if it is or becomes a passive foreign investment company, there may be tax consequences for investors in the United States.***

Acquiring, holding or disposing of NOVAGOLD's securities may have tax consequences under the laws of Canada and the United States that are not disclosed in this Annual Information Form. In particular, potential investors that are U.S. taxpayers should be aware that the Company may be considered a "passive foreign investment company" under Section 1297(a) of the U.S. Internal Revenue Code (a "PFIC"). If the Company is or becomes a PFIC, any gain recognized on the sale of common shares and any excess distributions paid on the common shares must be ratably allocated to each day in a U.S. taxpayer's holding period for the common shares. The amount of any such gain or excess distribution allocated to prior years of such U.S. taxpayer's holding period for the common shares generally will be subject to U.S. federal income tax at the highest tax applicable to ordinary income in each such prior year, and the U.S. taxpayer will be required to pay interest on the resulting tax liability for each such prior year, calculated as if such tax liability had been due in each such prior year.

Alternatively, a U.S. taxpayer that makes a "QEF election" generally will be subject to U.S. federal income tax on such U.S. taxpayer's pro rata share of the Company's "net capital gain" and "ordinary earnings" (calculated under U.S. federal income tax rules), regardless of whether such amounts are actually distributed by the Company. U.S. taxpayers should be aware that there can be no assurance that the Company will satisfy record-keeping requirements or that it will supply U.S. taxpayers with required information under the QEF rules, in event that the Company is a PFIC and a U.S. taxpayer wishes to make a QEF election. As a second alternative, a U.S. taxpayer may make a "mark-to-market election" if the Company is a PFIC and the common shares are marketable stock. A U.S. taxpayer that makes a mark-to-market election generally will include in gross income, for each taxable year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the common shares as of the close of such taxable year over (b) such U.S. taxpayer's tax basis in such common shares.

Investors should consult their tax advisors as to the tax consequences of an investment in NOVAGOLD.

***The proposed sale of Galore Creek may not occur.***

Part of the Company's current business strategy is to sell its interest in the Galore Creek Partnership. Management expects to continue to evaluate disposition opportunities on a regular basis and intends to pursue opportunities that Management believes are in the Company's long-term best interests. Competition in the mining business for limited sources of capital could adversely impact the Company's ability to dispose of the Galore Creek interest and as a result the Company may not be successful in identifying a purchaser or in obtaining an offer at an acceptable price and on acceptable terms and conditions. As a result, there is no assurance that the Company will be able to dispose of its interest in the Galore Creek Partnership; in which case the Company expects to continue with the joint development of Galore Creek through the Galore Creek Partnership, which would result in increased capital requirements for NOVAGOLD to fund its portion of the project.

***NOVAGOLD is a Canadian company and U.S. investors may have difficulty bringing actions and enforcing judgments under U.S. securities laws.***

Investors in the United States or in other jurisdictions outside of Canada may have difficulty bringing actions and enforcing judgments against NOVAGOLD, its directors, its executive officers and some of the experts named in this Prospectus based on civil liabilities provisions of the federal securities laws or other laws of the United States or any state thereof or the equivalent laws of other jurisdictions of residence.

***DIVIDENDS***

The Company has not declared or paid any dividends on its common shares since the date of its incorporation. The Company intends to retain its earnings, if any, to finance the growth and development of its business and does not expect to pay dividends or to make any other distributions in the near future. The Company's Board of Directors will review this policy from time to time having regard to the Company's financing requirements, financial condition and other factors considered to be relevant.

***DESCRIPTION OF CAPITAL STRUCTURE***

The Company's authorized share capital consists of 1,000,000,000 common shares without par value and 10,000,000 preferred shares, issuable in series.

**Common Shares**

All of the common shares rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the common shares are entitled to receive notice of all meetings of shareholders and to attend and vote the shares at the meetings. Each common share carries with it the right to one vote. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets, the holders of the common shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the Company has paid out its liabilities. Distributions in the form of dividends, if any, will be set by the Board of Directors. Provisions as to the modification, amendment or variation of the rights attached to the common shares are contained in the Company's articles of association and the *Companies Act* (Nova Scotia). Generally speaking, substantive changes to the share capital require the approval of the shareholders by special resolution (at least 75% of the votes cast) and in certain cases approval by the holders of a class or series of shares, including in certain cases a class or series of shares not otherwise carrying voting rights, in which event the resolution must be approved by no less than two-thirds of the votes cast by shareholders who vote in respect of the resolution.

**Preferred Shares**

The Company's preferred shares may be issued from time to time in one or more series, the number of shares, designation, rights and restrictions of which will be determined by the Board of Directors of the Company. The

preferred shares rank ahead of the common shares with respect to the payment of dividends and the payment of capital. There are no preferred shares outstanding at the date of this Annual Information Form.

### **MARKET FOR SECURITIES**

#### **Trading Price and Volume**

The common shares of the Company are listed and posted for trading on TSX and the NYSE-MKT under the symbol “NG”. The Company traded on the American Stock Exchange (“AMEX”) until trading transferred to the NYSE Alternext, followed by the NYSE Amex LLC and more recently renamed NYSE-MKT LLC. The Company believes that more than half its shares are beneficially owned by investors in the United States. The following tables set out the market price range and trading volumes of the Company’s common shares on the TSX and NYSE-MKT for the periods indicated.

#### **Toronto Stock Exchange**

<b>Fiscal 2012<sup>(1)</sup></b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (no. of shares in thousands)</b>
November	4.73	4.18	3,887,772
October	4.94	3.99	4,707,118
September	5.75	4.85	5,563,900
August	6.29	4.37	8,170,944
July	4.95	3.67	5,182,810
June	6.04	3.62	7,992,926
May	6.73	5.01	10,045,341
April	6.90	4.98	10,030,817
March	7.35	6.39	13,534,419
February	8.42	6.70	16,297,674
January	10.47	8.16	18,792,752
December (2011)	10.81	8.27	10,087,263

#### **NYSE-MKT**

<b>Fiscal 2012<sup>(1)</sup></b>	<b>High (US\$)</b>	<b>Low (US\$)</b>	<b>Volume (no. of shares in thousands)</b>
November	4.74	4.18	38,254,876
October	4.94	3.98	39,910,784
September	5.75	4.85	52,008,296
August	6.3	4.35	68,290,072
July	4.95	3.66	72,046,312
June	6.05	3.61	94,168,104
May	6.72	5.01	72,431,352
April	6.87	4.98	79,946,552
March	7.35	6.37	73,515,776
February	8.43	6.69	102,017,864



<b>Fiscal 2012<sup>(1)</sup></b>	<b>High (US\$)</b>	<b>Low (US\$)</b>	<b>Volume (no. of shares in thousands)</b>
January	10.49	8.14	98,706,048
December (2011)	10.81	8.28	63,818,192

Note:

(1) The Company's fiscal year end is November 30.

### **ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER**

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Common	58,681	0.02%

### ***DIRECTORS AND OFFICERS***

The following directors of the Company were elected at the annual general meeting of the Company held May 29, 2012:

Sharon Dowdall  
 Marc Faber  
 Tony Giardini  
 Dr. Thomas Kaplan  
 Gregory Lang  
 Gillyeard Leathley  
 Igor Levental  
 Kalidas Madhavpeddi  
 Gerald McConnell  
 Clynton Nauman  
 Rick Van Nieuwenhuysse  
 Anthony Walsh

Each of the directors holds office until the close of the next annual meeting of the shareholders of the Company or until their successors are duly elected or appointed.

The following table sets forth the name and municipality of residence, office held with the Company, date on which each first became a director (if applicable) and principal occupation during the last five years of each of the directors and officers of the Company as of February 11, 2013.

The following are the directors and officers of the Company:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Office(s) Held</u></b>	<b><u>Principal Occupation</u></b>	<b><u>Director Since</u></b>
Gregory A. Lang <sup>(6)(7)</sup> Sandy, Utah, USA	President and Chief Executive Officer and a Director	President and Chief Executive Officer ("CEO") of the Company; President of Barrick Gold North America (2003 - 2011)	2012
David Deisley	Executive Vice President, General	Executive Vice President ("EVP"),	-

<u>Name and Municipality of Residence</u>	<u>Office(s) Held</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Salt Lake City, Utah, USA	Counsel	General Counsel of the Company; Executive Vice President, Corporate Affairs and General Counsel for Goldcorp Inc. (2007-2012)	
David Ottewell Sandy, Utah, USA	Vice President, Chief Financial Officer	Vice President, Chief Financial Officer (“CFO”) of the Company; Newmont Mining Corporation Vice President, Controller, (2011-2012), Assistant Controller (2007-2011)	-
Sharon Dowdall <sup>(2)</sup> Toronto, Ontario, Canada	Director	Corporate Director; Chief Legal Officer and Corporate Secretary, Franco-Nevada Corporation (2007-2010)	2012
Marc Faber <sup>(5)</sup> Chiang Mai, Thailand	Director	Managing Director, Marc Faber Ltd. (1990-present)	2010
Tony Giardini <sup>(1)(2)(6)</sup> Vancouver, British Columbia, Canada	Director	Executive Vice President and CFO, Kinross Gold Corporation; Senior CFO, Capstone Mining (April 2012 – December 2012); CFO, Ivanhoe Mines Ltd. (2006-2011);	2008
Dr. Thomas S. Kaplan <sup>(4)</sup> New York City, New York, USA	Director	Chairman and CEO, The Electrum Group LLC (2011-present); Chairman, Tigris Financial Group Ltd. (2007-2011); Principal, Tigris Financial Group Ltd. (2011-present); Chairman, Leor Exploration & Production LLC (2007-present)	2011
Igor Levental <sup>(5)(6)</sup> Denver, Colorado, USA	Director	President, The Electrum Group LLC (2010-present); Executive Vice President (“EVP”), EVP, Corporate Development, Electrum USA Ltd. (2007-2010);	2010
Gillyeard Leathley <sup>(11)</sup> Vancouver, British Columbia, Canada	Director	Mining Consultant; Senior Vice President and Chief Operating Officer of the Company (2010-2012), Consultant (2009-2010)	2011
Kalidas Madhavpeddi <sup>(1)(3)(5)</sup> Phoenix, Arizona, USA	Director	President, Azteca Consulting LLC (2006-present); CEO, Forex Investment Group Limited (2011-Present); CEO, Aurizon Resources Ltd. (2008-present);	2007
Gerald McConnell <sup>(2)(5)(6)</sup> Nova Scotia, Canada	Director	CEO, Namibia Rare Earths Inc. (2010-present); President and CEO, Etruscan Resources Inc. (1990-2010)	1984
Clynton Nauman <sup>(3)</sup> Blaine, Washington, USA	Director	CEO, Alexco Resource Corp. and Asset Liability Management Group ULC (2005-present);	1999

<u>Name and Municipality of Residence</u>	<u>Office(s) Held</u>	<u>Principal Occupation</u>	<u>Director Since</u>
Rick Van Nieuwenhuysse <sup>(3)(6)(8)</sup> Vancouver, British Columbia, Canada	Director	President and CEO of NovaCopper Inc., President and CEO of NOVAGOLD (1999-2011)	1993
Anthony Walsh <sup>(1)</sup> Vancouver, British Columbia, Canada	Director	Corporate Director; President and CEO of Sabina Gold & Silver Corporation (2008-2011)	2012

- (1) Member of the Audit Committee
- (2) Member of the Compensation Committee
- (3) Member of the Environment, Health, Safety, and Sustainability (“EHSS”) & Technical Committee
- (4) Chairman of the Board
- (5) Member of the Corporate Governance and Nominations Committee
- (6) Member of the Corporate Communication Committee
- (7) Gregory A. Lang became President and CEO of NOVAGOLD effective January 9, 2012
- (8) Rick Van Nieuwenhuysse resigned as President and CEO of NOVAGOLD effective January 9, 2012
- (9) David Deisley became Executive Vice President and General Counsel of NOVAGOLD effective November 1, 2012
- (10) David Ottewell became Vice-President and CFO of NOVAGOLD effective November 13, 2012
- (11) Gillyeard Leathley resigned as Senior Vice President and COO of NOVAGOLD effective November 30, 2012

As of February 11, 2013, the directors and officers of the Company beneficially owned or controlled, directly or indirectly, 1,305,454 common shares or 0.41% of the total issued and outstanding common shares of the Company.

Electrum Strategic Resources L.P. and its affiliate GRAT Holdings LLC (“Electrum”) are the largest shareholder of the Company, controlling approximately 19% of the outstanding voting securities at November 30, 2012. On December 31, 2012 Electrum exercised warrants for 31,337,278 Company common shares which increased its holdings to 27.2%.

No director or executive officer is or within the past ten years has been the subject of a cease trade order, bankruptcy, penalty, or sanction, or a director or executive officer of a company that has been the subject of the same.

## **Corporate Governance**

### ***Audit Committee***

National Instrument 52-110 – *Audit Committees* (“NI 52-110”) requires the Corporation to disclose annually in its AIF certain information concerning the constitution of its Audit Committee and its relationship with its independent auditor, as set forth below.

### ***Audit Committee Charter***

The Corporation’s Audit Committee is governed by a charter, the text of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and is incorporated by reference herein.

### ***Composition of the Audit Committee***

The Corporation’s Audit and Corporate Governance Committee is comprised of Messrs. Walsh (Chair), Giardini and Madhavpeddi. As defined in NI 52-110, each of the directors is considered to be “independent” and “financially literate”. Biographies of each of the directors are included below.

### ***Audit Committee Members' Relevant Experience and Education***

#### ***Anthony Walsh, CA (Chair)***

Mr. Walsh has over twenty-five years of leadership experience in the mining industry where he held such senior positions as President and Chief Executive Officer of Miramar Mining Corporation, which in 2007 was sold to Newmont Mining Company, President and Chief Executive Officer of Sabina Gold and Silver Corporation and Senior Vice President and Chief Financial Officer of International Corona Corporation. Prior to joining the industry, he had a twelve-year tenure with Deloitte, Haskins & Sells, where he earned his Chartered Accountant designation. Mr. Walsh currently serves on several Boards of Canadian exploration and development companies.

#### ***Tony Giardini***

Mr. Giardini is Executive Vice-President and CFO of Kinross Gold Corporation. Prior to joining Kinross, Mr. Giardini was CFO at Capstone Mining, CFO of Ivanhoe Mines Ltd., and at Placer Dome, where he held a series of positions, including Vice-President and Treasurer. Tony is a Chartered Accountant and a Certified Public Accountant and spent 12 years with the accounting firm KPMG, prior to joining Placer Dome.

#### ***Kalidas Madhavpeddi***

Mr. Madhavpeddi is CEO of Forex Investment Group Limited and President of Azteca Consulting LLC, an investment and advisory company to the mining industry. Mr. Madhavpeddi has over 30 years' experience in business development, corporate strategy, global mergers and acquisitions, marketing, trading and sales. He spent nearly 26 years with Phelps Dodge Corporation which at that time the world's largest publicly traded copper company. Mr. Madhavpeddi has held various executive positions at Phelps Dodge Corporation including Senior Vice President, Business Development, President, Phelps Dodge Wire and Cable Co., and Senior Vice President, Phelps Dodge Sales Company.

### ***Pre-Approval Policies and Procedures***

Pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services, provided that decisions of such subcommittee to grant preapprovals shall be presented to the full Audit Committee at its next scheduled meeting. All fees have been pre-approved since the adoption of this policy.

### ***External Auditor Service Fees***

The Auditors of the Corporation since May 22, 2002 have been PricewaterhouseCoopers LLP, Chartered Accountants ("PWC"), 250 Howe Street, 7<sup>th</sup> Floor, Vancouver, British Columbia.

#### **(a) *Audit Fees***

The total fees billed by PWC in each of the last two fiscal years for audit services are as follows:

For the year ended November 30, 2012: \$648,000

For the year ended November 30, 2011: \$430,000

#### **(b) *Audit Related Fees***

The total fees billed by PWC in each of the last two fiscal years for assurance and related services by PWC that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under (a) are as follows:

For the year ended November 30, 2012: \$158,000

For the year ended November 30, 2011: \$215,000

#### **(c) *Tax Fees***

The total fees billed in each of the last two fiscal years for professional services rendered by PWC for tax compliance, tax advice and tax planning are as follows:

For the year ended November 30, 2012: \$Nil

For the year ended November 30, 2011: \$Nil

(d) *All Other Fees*

The total fees billed in each of the last two fiscal years for products and services provided by PWC, other than the services reported under causes (a), (b) and (c) above are as follows:

For the year ended November 30, 2012: \$Nil

For the year ended November 30, 2011: \$Nil

***Limitation of Audit Committee's Role***

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with Canadian GAAP, which has adopted IFRS, and U.S. GAAP applicable rules and regulations. These are the responsibilities of management and the independent auditor.

**Other Board Committees**

The Board of Directors has also designated a Compensation Committee consisting of Ms. Dowdall and Messrs. McConnell and Giardini, a Safety, Environment and Sustainability Committee consisting of Messrs. Nauman, Van Nieuwenhuysse and Madhavpeddi, Corporate Governance and Nominating Committee consisting of Messrs. McConnell, Levental, Faber, and Madhavpeddi and a Corporate Communication Committee consisting of Messrs. McConnell, Giardini, and Levental.

All of the directors of the Company hold office until the close of the next annual meeting of the shareholders of the Company or until their successors are duly elected or appointed.

**Conflicts of Interest**

To the knowledge of the Company, no existing or potential conflicts of interest exist between the Company and any of its officers or directors other than as set forth below.

In 2012, the Company provided exploration and management services totaling \$0.02 million to Alexco Resource Corp. ("Alexco"), and during 2011 the Company provided exploration and management services totaling \$0.02 million to Alexco. Alexco is a related party having two common directors.

In 2012, the Company provided exploration and management services to TintinaGold Resources Inc. ("TintinaGold") totaling \$0.01 million, and during 2011 the Company provided exploration and management services totaling \$0.03 million to TintinaGold. In March 2009, TintinaGold (formerly Mantra Mining Inc.) purchased five early-stage Alaskan base metal properties from the Company. In consideration for the sale of the five properties, the Company received 3,125,000 shares of Mantra common stock worth \$1.6 million at deal closing. In October 2009, TintinaGold completed its plan of arrangement to spin out AsiaBaseMetals. At November 30, 2012, the Company held 3,125,000 shares in both companies with a combined fair value of \$1.1 million. TintinaGold and AsiaBaseMetals are related to the Company as a result of a common director.

In 2012, the Company provided exploration and management services to NovaCopper Inc. ("NovaCopper") totaling \$0.1 million, and nil for 2011. In April 2012, the Company spun-out NovaCopper to the Company's shareholders. NovaCopper is a related party having eight common directors.

Except as disclosed in ***Financing*** and ***NovaCopper Spin-out to Shareholders***, within the past three years no director, executive officer, or principle shareholder has any material interest, direct or indirect, in any transaction that reasonably could be expected to materially affect NOVAGOLD.

## ***LEGAL PROCEEDINGS AND REGULATORY ACTIONS***

### **Other**

On July 15, 2009, two claims were filed in the United States District Court for the District of Alaska against NOVAGOLD, Alaska Gold Company (“AGC”) and other parties arising out of an accident on July 19, 2007, where two employees of a contractor were killed in a construction-related accident at the Company’s former Rock Creek project. The claims are seeking wrongful death damages in excess of US\$2.5 million. The Company and AGC filed an answer to the complaint denying all allegations and asserting certain affirmative defenses. The Company and AGC have disputed these claims and believe they have substantial and meritorious legal and factual defenses, which they intend to pursue vigorously. The claims against AGC were dismissed during 2010 by agreement without payment of any money.

On May 11, 2011, the claim that had been filed against NOVAGOLD in the United States Federal District Court for the District of Alaska was settled. The settlement was paid through insurance and NOVAGOLD did not pay any funds out of its cash balance. The settlement reached on May 11, 2011 has resolved the claim originally filed on July 15, 2009 and the plaintiffs do not have any further recourse against the Company.

### **Regulatory Actions**

On March 14, 2012, the U.S. Environmental Protection Agency (the “EPA”) notified Alaska Gold Company by letter that it intended to seek penalties for alleged violations of the Clean Water Act at the Rock Creek Mine. These alleged violations related to storm water discharges during 2009-2011. The letter afforded Alaska Gold Company the opportunity to enter into discussions with the EPA regarding a potential administrative settlement to resolve the alleged violations. Alaska Gold Company and the EPA reached an administrative settlement and the Company paid US\$177,500 to the EPA in the fourth quarter of 2012. This administrative settlement resolves all past liabilities related to storm water discharges at the Rock Creek Mine.

## ***TRANSFER AGENT AND REGISTRAR***

The transfer agent and registrar for the Common Shares in Canada is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario. The co-transfer agent and registrar for the Common Shares in the United States is Computershare Trust Company Inc. at its office in Denver, Colorado.

## ***MATERIAL CONTRACTS***

The Company’s material contracts include:

- Underwriting Agreement dated February 2, 2012 between RBC Dominion Securities Inc. and J.P. Morgan Securities LLC;
- Unit Purchase Agreement dated December 31, 2008 between Electrum and NOVAGOLD;
- Indenture dated as of March 26, 2008 between NOVAGOLD and The Bank of New York (the “Indenture”) and Supplemental Indenture No. 1 dated as of March 26, 2008 to the Indenture between NOVAGOLD and The Bank of New York providing for the issuance of the Notes;
- Limited Liability Company Agreement dated December 1, 2007 between Donlin Gold LLC, Barrick Gold U.S. Inc. and NOVAGOLD Resources Alaska, Inc., as amended by an agreement dated January 13, 2010;
- Galore Creek Partnership General Partnership Agreement dated August 1, 2007 between NOVAGOLD Canada Inc., Teck Cominco Metals Ltd., Galore Creek Mining Corporation, NOVAGOLD Resources Inc. and Teck Cominco Limited, the amendment thereto dated November 25, 2007, the amendment thereto dated July 28, 2008 and the amendment thereto dated February 11, 2009.

## ***INTERESTS OF EXPERTS***

None of AMEC, Lemley International Limited, Kirk Hanson, Gordon Seibel, Tony Lipiec, Robert Gill, Jay Melnyk, Gregory Wortman, Greg Kulla, Dana Rogers and Heather White, each being companies or persons who have prepared reports relating to the Company’s mineral properties, or any director, officer, employee or partner thereof,

as applicable, received or has received a direct or indirect interest in the property of the Company or of any associate or affiliate of the Company. As at the date hereof, the aforementioned persons, and the directors, officers, employees and partners, as applicable, of each of the aforementioned companies and partnerships beneficially own, directly or indirectly, in total, less than one percent of the securities of the Company.

PricewaterhouseCoopers LLP, Chartered Accountants, are the Company's auditors and have prepared an opinion with respect to the Company's consolidated financial statements as at and for the year ended November 30, 2012. PricewaterhouseCoopers LLP report that they are independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

Neither the aforementioned persons, nor any director, officer, employee or partner, as applicable, of the aforementioned companies or partnerships, is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

### ***ADDITIONAL INFORMATION***

Additional information, including details as to directors' and officers' remuneration, principal holders of the Company's shares, options to purchase shares of the Company and certain other matters is contained in the Company's Management Information Circular for its most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Company's comparative financial statements and related Management's Discussion and Analysis for its year ended November 30, 2012. Copies of the above and other disclosure documents may be examined and/or obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company will provide to any person, upon request to the Company:

- a) when securities of the Company are in the course of a distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities:
  - i) one copy of the Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form;
  - ii) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year;
  - iii) one copy of the management information circular in respect of the most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that information circular, as appropriate; and
  - iv) one copy of any other documents incorporated by reference into the preliminary short form prospectus or the short form prospectus not required to be provided under (i) to (iii) above; or
- b) at any other time, one copy of any other documents referred to in (a), (i) to (iii) above, provided that the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.