



## letter to shareholders

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

# 2018

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

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

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

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

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

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

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

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

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

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



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

Experience in building and operating large-scale gold assets.

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



\* Donlin Gold project estimates as per the second updated feasibility study effective November 18, 2011 and amended January 20, 2012. Represents 100% of measured and indicated resources, of which NOVAGOLD’s share represents 50%. Measured and indicated resources are inclusive of proven and probable reserves. Measured resources total 8M tonnes grading 2.52 g/t Au, and indicated resources total 534M tonnes grading 2.24 g/t Au. Proven reserves total 8M tonnes grading 2.32 g/t Au, and probable reserves total 497M tonnes grading 2.08 g/t Au. See “Cautionary Note Concerning Reserve & Resource Estimates” on page 39 of the 2018 Annual Report.