NOVAGOLD RESOURCES INC.

ANNUAL REPORT TO ACCOMPANY MANAGEMENT INFORMATION CIRCULAR
FOR YEAR ENDED NOVEMBER 30, 2019

CORPORATE OFFICE	EXECUTIVE OFFICE
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OVERVIEW

NOVAGOLD RESOURCES INC. ("NOVAGOLD," "we" or the "Company") operate in the gold mining industry, primarily focused on advancing permitting of the Donlin Gold project in Alaska. The Donlin Gold project is held by Donlin Gold LLC ("Donlin Gold"), a limited liability company owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick Gold Corporation ("Barrick").

We do not produce gold or any other minerals, and do not currently generate operating earnings. Funding to explore our mineral properties and to operate the Company was acquired primarily through previous equity financings consisting of public offerings of our common shares and warrants and through debt financing consisting of convertible notes, and the sale of assets. We expect to continue to raise capital through additional equity and/or debt financings, through the exercise of stock options, and otherwise.

We were incorporated by memorandum of association on December 5, 1984, under the Companies Act (Nova Scotia) as 1562756 Nova Scotia Limited. On January 14, 1985, we changed our name to NovaCan Mining Resources (l985) Limited and on March 20, 1987, we changed our name to NOVAGOLD RESOURCES INC. On May 29, 2013, our shareholders approved the continuance of the corporation into British Columbia. Subsequently, we filed the necessary documents in Nova Scotia and British Columbia and we continued under the Business Corporations Act (British Columbia) effective as of June 10, 2013. The current addresses, telephone and facsimile numbers of our offices are:

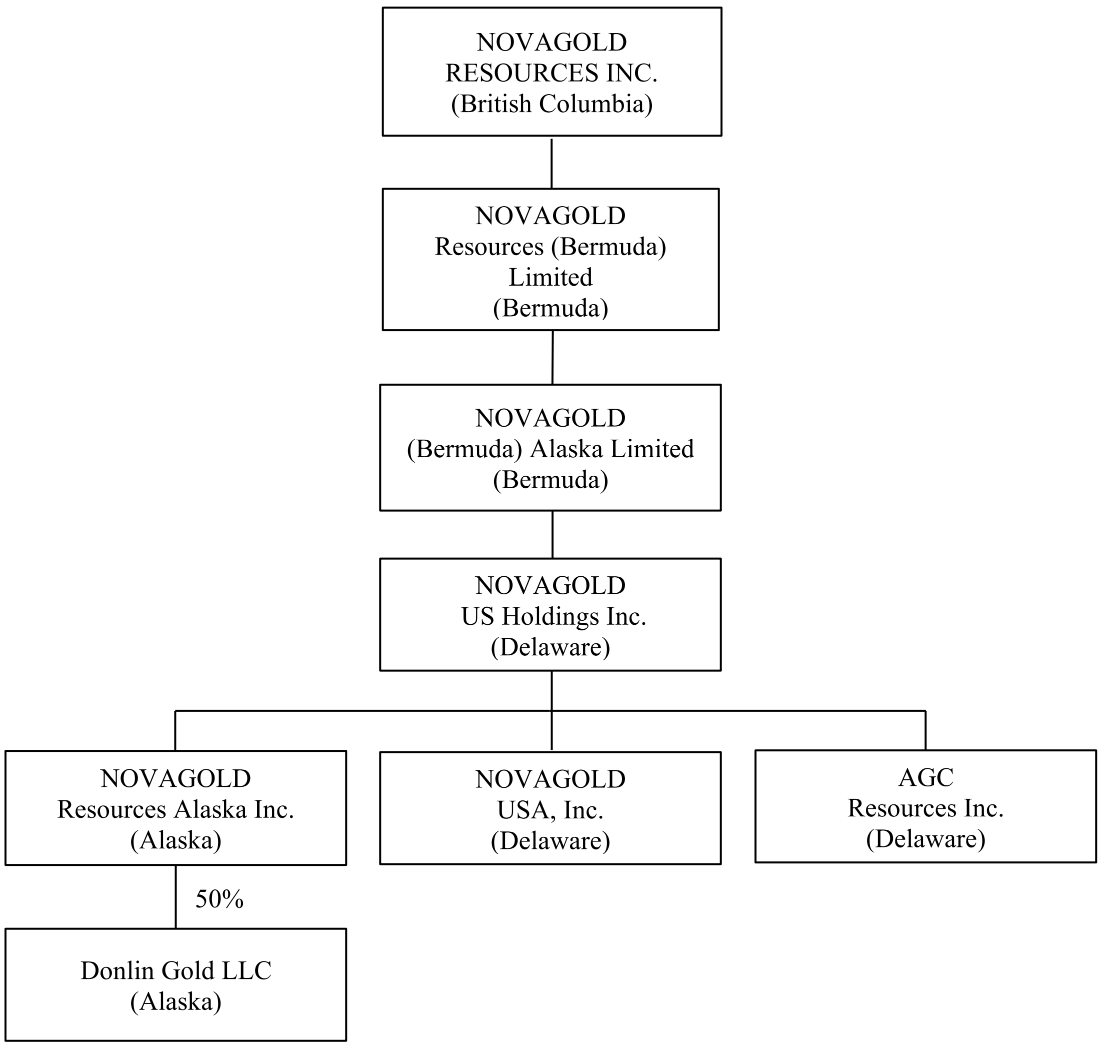
Executive office
201 South Main Street, Suite 400
Salt Lake City, UT, USA 84111
Telephone (801) 639-0511
Facsimile (801) 649-0509

Corporate office
400 Burrard Street, Suite 1860
Vancouver, BC, Canada V6C 3A6
Toll free (866) 669-6227
Facsimile (604) 669-6272

Corporate Structure

As of November 30, 2019, we had the following material, direct and indirect, wholly-owned subsidiaries: NOVAGOLD Resources Alaska, Inc., NOVAGOLD US Holdings Inc., NOVAGOLD USA, Inc., AGC Resources Inc, NOVAGOLD (Bermuda) Alaska Limited and NOVAGOLD Resources (Bermuda) Limited.

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



Employees

On November 30, 2019, we had 12 full-time employees. We also use consultants with specific skills to assist with various aspects of project evaluation, engineering and corporate governance.

Recent Developments

Donlin Gold Project

Donlin Gold LLC continues to support the Alaska Department of Natural Resources (ADNR) to advance permits and certificates for the project.

ADNR's approval of the Alaska Dam Safety certificates for the tailings storage facility and water retention and diversion structures requires a thorough multi-year stepwise process to deliver a final construction package to ADNR. During July 2019, Donlin Gold commenced a site investigation program in support of advancement of dam engineering from a feasibility level to a final construction package. The site investigation information will support a preliminary design package, detailed design package and ultimately the final construction package, each of which will be submitted to ADNR for final approval and issuance of the dam safety certificates. This program consists of geotechnical core drilling, test pits, overburden drilling, packer tests, hydrogeologic test well installation and pumping tests, and geophysical surveys. Safety training and camp preparations were completed in the third quarter. Due to wildfires that affected the project area, the program was temporarily suspended in July for a period of five weeks, as all personnel were safely moved as a precautionary measure and to accommodate firefighting operations. There was no damage to Donlin Gold structures and equipment and the camp reopened in September.

ADNR's Division of Mining, Land, and Water (DMLW) issued the easement land leases, land use permits, and material site authorizations for the proposed transportation facilities, and easement for the fiber optic cable on State lands on January 2, 2020, following the issuance of the preliminary decisions on January 28, 2019 and the close of the public comment period for these decisions in March 2019. ADNR's Division of Oil and Gas (DOG), is finalizing the ROW authorizations for the natural gas pipeline, following the issuance of the preliminary decision in March 2019.

In 2018, Earthjustice, on behalf of Orutsararmiut Native Council (ONC), Akiak Native Community IRA Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Chuloonawick Tribal Council, and the Yukon-Kuskokwim River Alliance, requested an informal review of the State of Alaska's 401 certification (the "Certification") by the Director of the Division of Water in the Alaska Department of Environmental Conservation (ADEC). In October 2018, the Director responded to the request by deciding to conduct the informal review and reissued the Certification on April 4, 2019. On April 24, 2019, Earthjustice requested a second informal review of the Certification and the request was granted by ADEC on May 4, 2019. A decision on the second informal review of the Certification is expected by the end of the first quarter of 2020.

The final approvals of the Donlin Gold Reclamation and Closure Plan and final Waste Management Permit were issued on January 18, 2019. On February 7, 2019, Earthjustice on behalf of ONC, Akiak Native Community, Chefornak Traditional Council, Chevak Traditional Council, Chuloonawick Native Village, Native Village of Eek, Kasigluk Traditional Council, Kongiganak Traditional Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Native Village of Nightmute, Sleetmute Traditional Council, Tuluksak Native Community, and Native Village of Tununak, filed an administrative appeal of the Reclamation and Closure Plan Approval. ADNR denied the appeal of the Donlin Gold Reclamation and Closure Plan on December 31, 2019 and affirmed DMLW'S original decision. Additionally, Earthjustice, representing the same tribal entities in the appeal of the Reclamation and Closure Plan Approval, requested an informal review of the Waste Management Permit, which was completed by ADEC's Division of Water on June 25, 2019 with their original decision upheld and with no further appeal.

Donlin Gold LLC, with support from the project owners (NOVAGOLD and Barrick) are committed to growing strong and collaborative working relationships to preserve traditional lifestyles and support economic development for the benefit of Calista and TKC shareholders (owners of the mineral and surface rights, respectively) and the Yukon-Kuskokwim (Y-K) region. Donlin Gold LLC and our Native Corporation partners held more than 200 engagement meetings in 2019 with individual stakeholders and community organizations and remained actively engaged in environmental sustainability projects in the Y-K region.

NOVAGOLD and Barrick continue to study ways to improve the project's value and to reduce initial capital outlays through enhanced project design and execution, engagement of third-party operators for certain activities, and potential for future financing of some capital-intensive infrastructure. To date, these additional studies have identified key areas that have the potential to add value and maximize the future opportunity and longevity of the project. In 2020, Donlin Gold LLC has envisioned a drilling program in the resource area to follow-up on recent drilling and technical work. NOVAGOLD and Barrick will take all this work into account before reaching a construction decision and will advance the Donlin Gold project in a financially-disciplined manner with a strong focus on environmental stewardship and social responsibility.

The Donlin Gold LLC board must approve a construction program and budget before the Donlin Gold project can be developed. The timing of the required engineering work and the Donlin Gold LLC board's approval of a construction program and budget, the receipt of all required governmental permits and approvals, and the availability of financing, commodity price fluctuations, risks related to market events and general economic conditions, among other factors, will affect the timing of and whether to develop the Donlin Gold project. Among other reasons, project delays could occur as a result of public opposition, litigation challenging permit decisions, requests for additional information or analysis, limitations in agency staff resources during regulatory review and permitting, or project changes made by Donlin Gold LLC.

For further information, see section *Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations*, below.

Reclamation

We will generally be required to mitigate long-term environmental impacts by stabilizing, contouring, re-sloping and re-vegetating various portions of a site after mining and mineral processing operations are completed. These reclamation efforts will be conducted in accordance with detailed plans, which must be reviewed and approved by the appropriate regulatory agencies. In addition, financial assurance acceptable to the regulatory authority with jurisdiction over reclamation must be provided in an amount that the authority determines to be sufficient to allow the authority to implement the reclamation plan in the event that the project owners fail to complete the work as provided in the plan.

Government and Environmental Regulations

Our exploration and development activities are subject to various national, state, provincial and local laws and regulations in the United States and Canada, which govern prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances, disclosure requirements and other matters. We have obtained or have pending applications for those licenses, permits or other authorizations currently required to conduct our exploration and development programs. We believe that we are in compliance in all material respects with applicable mining, health, safety and environmental statutes and regulations in the United States and Canada. There are no current orders or directions relating to us with respect to the foregoing laws and regulations. For a more detailed discussion of the various government laws and regulations applicable to our operations and potential negative effects of these laws and regulations, see section *Item 1A, Risk Factors*, below.

Competition

We compete with other mineral resource exploration and development companies for financing, technical expertise and the acquisition of mineral properties. Many of the companies with whom we compete have greater financial and technical resources. Accordingly, these competitors may be able to spend greater amounts on the acquisition, exploration and development of mineral properties. This competition could adversely impact our ability to finance further exploration and to obtain the financing necessary for us to develop our mineral properties.

Availability of Raw Materials and Skilled Employees

Most aspects of our business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, drilling, metallurgy, mine planning, logistical planning, preparation of feasibility studies, permitting, construction and operation of a mine, financing, legal and accounting. Historically, we have found that we can locate and retain appropriate employees and consultants and we believe we will continue to be able to do so.

All of the raw materials we require to carry on our business are readily available through normal supply or business contracting channels in the United States and Canada. Historically, we have been able to secure the appropriate equipment and supplies required to conduct our contemplated programs. As a result, we do not believe that we will experience any shortages of required equipment or supplies in the foreseeable future.

Seasonality

Our business is seasonal as our mineral exploration and development activities take place in southwestern Alaska. Due to the northern climate, work on the Donlin Gold project can be limited due to excessive snow cover and cold temperatures. In general, surface work often is limited to late spring through early fall, although work in some locations is more readily and efficiently completed during the winter months when the ground is frozen.

Gold Price History

The price of gold is volatile and is affected by numerous factors, all of which are beyond our control, such as the sale or purchase of gold by various central banks and financial institutions, inflation, recession, fluctuation in the relative values of the U.S.

dollar and foreign currencies, changes in global and regional gold demand, in addition to international and national political and economic conditions.

The following table presents the high, low and average afternoon fixed prices in U.S. dollars for an ounce of gold on the London Bullion Market over the past five calendar years:

Year	High	Low	Average
2015	$1,296	$1,049	$1,160
2016	$1,366	$1,077	$1,251
2017	$1,346	$1,151	$1,257
2018	$1,355	$1,178	$1,269
2019	$1,546	$1,271	$1,392
2020 (to January 15)	$1,573	$1,527	$1,554

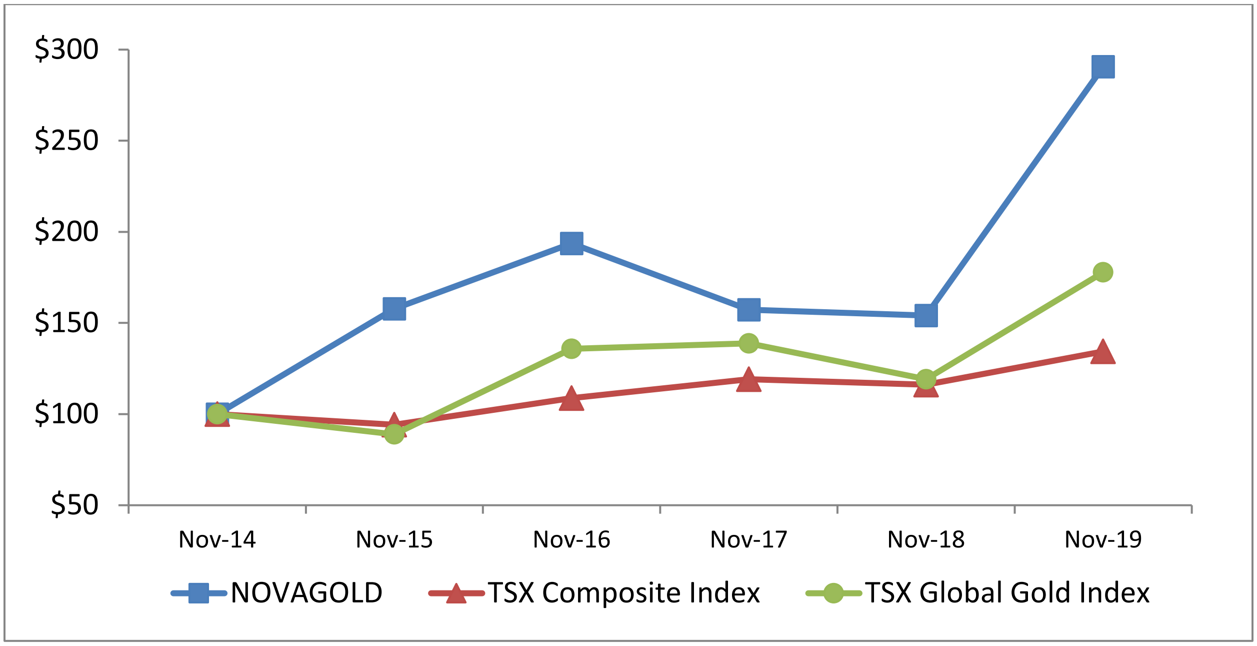
Data Source: www.kitco.com

Market Information

Our common shares trade on the New York Stock Exchange (NYSE American) and on the Toronto Stock Exchange (TSX) under the symbol "NG." On January 15, 2020, there were 603 holders of record of our shares, which does not include shareholders for which shares are held in nominee or street name. We believe that more than half of our common shares are beneficially owned by investors in the United States.

Share Performance Graph

The following graph depicts the Company's cumulative total Shareholder returns over the five most recently completed fiscal years assuming a C$100 investment in Common Shares on November 30, 2014, compared to an equal investment in the S&P/TSX Composite Index (TSX ticker: ^TSX) and in the S&P/TSX Global Gold Index (TSX ticker: ^TTGD) on November 30, 2014. The Company does not currently issue dividends. The Common Share performance as set out in the graph is not indicative of future price performance.



C$	2015	2016	2017	2018	2019
Value based on C$100 invested in the Company on November 28, 2014	157	193	157	154	290
Value based on C$100 invested in the S&P/TSX Composite Index on November 28, 2014	94	108	119	116	134
Value based on C$100 invested in the S&P/TSX Global Gold Index on November 28, 2014	88	135	138	119	177

Dividends

We have never declared or paid dividends on our common shares and our current business plan requires that, for the foreseeable future, any future earnings be reinvested to finance growth and development of our business. We will pay dividends on our common shares only if and when declared by our Board. In determining whether to declare dividends, the Board will consider our financial condition, results of operations, working capital requirements, future prospects, and other factors it considers relevant.

Selected Financial Data

The selected financial data set forth in the table below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our audited Consolidated Financial Statements and the Notes thereto.

	Years ended November 30,				
($ thousands, except per share)	2019	2018	2017	2016	2015
Loss from operations	$(26,812)	$(27,291)	$(32,021)	$(28,998)	$(31,304)
Net loss from continuing operations	$(27,761)	$(31,466)	$(36,915)	$(32,697)	$(31,560)
Net loss from discontinued operations	—	(81,299)	(2,101)	(1,149)	(392)
Net loss	$(27,761)	$(112,765)	$(39,016)	$(33,846)	$(31,952)
Net loss per common share – basic and diluted					
Continuing operations	$(0.09)	$(0.10)	$(0.11)	$(0.10)	$(0.10)
Discontinued operations	—	(0.25)	(0.01)	(0.01)	—
	$(0.09)	$(0.35)	$(0.12)	$(0.11)	$(0.10)

	At November 30,				
	2019	2018	2017	2016	2015
Total assets	$245,835	$260,929	$398,661	$408,261	$433,584
Long-term liabilities	$104,538	$96,581	$111,210	$104,947	$100,771
Shareholders' equity	$137,954	$160,668	$284,029	$300,263	$329,296

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations constitutes management's review of the factors that affected our financial and operating performance for the years ended November 30, 2019 and 2018. This discussion should be read in conjunction with the consolidated financial statements and notes thereto contained elsewhere in this report. For a discussion of the years ended November 30, 2018 and 2017, see section Item 7., Management's Discussion and Analysis of Financial Condition and Results of Operations, on Registrant's Annual Report on Form 10-K for the year ended November 30, 2018, filed with the Securities and Exchange Commission on January 23, 2019.

Overview

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

In 2019, we successfully delivered on the key goals established at the beginning of the year. Highlights of our accomplishments include:

Advancement of the Donlin Gold project

Donlin Gold LLC continues to support the Alaska Department of Natural Resources (ADNR) to advance permits and certificates for the project.

ADNR's approval of the Alaska Dam Safety certificates for the tailings storage facility and water retention and diversion structures requires a thorough multi-year stepwise process to deliver a final construction package to ADNR. During July 2019, Donlin Gold commenced a site investigation program in support of advancement of dam engineering from a feasibility level to a final construction package. The site investigation information will support a preliminary design package, detailed design package and ultimately the final construction package, each of which will be submitted to ADNR for final approval and issuance of the dam safety certificates. This program consists of geotechnical core drilling, test pits, overburden drilling, packer tests, hydrogeologic test well installation and pumping tests, and geophysical surveys. Safety training and camp preparations were completed in the third quarter. Due to wildfires that affected the project area, the program was temporarily suspended in July for a period of five weeks, as all personnel were safely moved as a precautionary measure and to accommodate firefighting operations. There was no damage to Donlin Gold structures and equipment and the camp reopened in September.

ADNR's Division of Mining, Land, and Water (DMLW) issued the easement land leases, land use permits, and material site authorizations for the proposed transportation facilities, and easement for the fiber optic cable on State lands on January 2, 2020, following the issuance of the preliminary decisions on January 28, 2019 and the close of the public comment period for these decisions in March 2019. ADNR's Division of Oil and Gas (DOG), is finalizing the ROW authorizations for the natural gas pipeline, following the issuance of the preliminary decision in March 2019.

In 2018, Earthjustice, on behalf of Orutsararmiut Native Council (ONC), Akiak Native Community IRA Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Chuloonawick Tribal Council, and the Yukon-Kuskokwim River Alliance, requested an informal review of the State of Alaska's 401 certification (the "Certification") by the Director of the Division of Water in the Alaska Department of Environmental Conservation (ADEC). In October 2018, the Director responded to the request by deciding to conduct the informal review and reissued the Certification on April 4, 2019. On April 24, 2019, Earthjustice requested a second informal review of the Certification and the request was granted by ADEC on May 4, 2019. A decision on the second informal review of the Certification is expected by the end of the first quarter of 2020.

The final approvals of the Donlin Gold Reclamation and Closure Plan and final Waste Management Permit were issued on January 18, 2019. On February 7, 2019, Earthjustice, on behalf of ONC, Akiak Native Community, Chefornak Traditional Council, Chevak Traditional Council, Chuloonawick Native Village, Native Village of Eek, Kasigluk Traditional Council, Kongiganak Traditional Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Native Village of Nightmute, Sleetmute Traditional Council, Tuluksak Native Community, and Native Village of Tununak, filed an administrative appeal of the Reclamation and Closure Plan Approval. ADNR denied the appeal of the Donlin Gold Reclamation and Closure Plan on December 31, 2019 and affirmed DMLW's original decision. Additionally, Earthjustice, representing the same tribal entities in the appeal of the Reclamation and Closure Plan Approval, requested an informal review of the Waste Management Permit, which was completed by ADEC's Division of Water on June 25, 2019 with their original decision upheld and with no further appeal.

Donlin Gold LLC, with support from the project owners (NOVAGOLD and Barrick) are committed to growing strong and collaborative working relationships to preserve traditional lifestyles and support economic development for the benefit of Calista and TKC shareholders (owners of the mineral and surface rights, respectively) and the Yukon-Kuskokwim (Y-K) region. Donlin Gold LLC and our Native Corporation partners held more than 200 engagement meetings in 2019 with individual stakeholders and community organizations and remained actively engaged in environmental sustainability projects in the Y-K region.

The Donlin Gold LLC board must approve a construction program and budget before the Donlin Gold project can be developed. The timing of the required engineering work and the Donlin Gold LLC board's approval of a construction program and budget, the receipt of all required governmental permits and approvals, and the availability of financing, commodity price fluctuations, risks related to market events and general economic conditions among other factors, will affect the timing of and whether to develop the Donlin Gold project. Among other reasons, project delays could occur as a result of public opposition, litigation challenging permit decisions, requests for additional information or analysis, limitations in agency staff resources during regulatory review and permitting, or project changes made by Donlin Gold LLC.

NOVAGOLD and Barrick continue to study ways to improve the project's value and to reduce initial capital outlays through enhanced project design and execution, engagement of third-party operators for certain activities, and potential for future financing of some capital-intensive infrastructure. To date, these additional studies have identified key areas that have the potential to add value and maximize the future opportunity and longevity of the project. In 2020, Donlin Gold LLC has envisioned a drilling program in the resource area to follow-up on recent drilling and technical work. NOVAGOLD and Barrick will take all this work into account before reaching a construction decision and will advance the Donlin Gold project in a financially-disciplined manner with a strong focus on environmental stewardship and social responsibility.

Our share of funding for the Donlin Gold project in 2019 was $11.1 million for geotechnical fieldwork, permitting and community engagement efforts. Our share of the 2020 work program and budget totals $20 million, including $11 million for the drilling program and $9 million for permitting and community engagement to continue to advance the project.

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

Maintained our strong financial position

Cash and term deposits decreased by $18.5 million in 2019 and totaled $148.5 million at November 30, 2019.

Outlook

Our goals for 2020 include:

- Advance the Donlin Gold project toward a construction/production decision.
- Maintain a healthy balance sheet.
- Maintain an effective corporate social responsibility program.

We do not currently generate operating cash flows. At November 30, 2019, we had cash and cash equivalents of $67.5 million and term deposits of $81.0 million. At present, we believe that these balances are sufficient to cover anticipated funding of the Donlin Gold project and corporate general and administrative costs. Additional capital will be necessary if a decision to commence engineering and construction is reached for the Donlin Gold project. Future financings to fund construction are anticipated through debt, equity, project specific debt, and/or other means. Our continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. However, there can be no assurance that we will be successful in our efforts to raise additional capital on terms favorable to us, or at all. For further information, see section *Item 1A, Risk Factors - Our ability to continue the exploration, permitting, development, and construction of the Donlin Gold project, and to continue as a going concern, will depend in part on our ability to obtain suitable financing*, above.

In 2020, we expect to spend approximately $31 million, including $20 million to fund our share of expenditures at the Donlin Gold project and $11 million for general and administrative costs.

Summary of Consolidated Financial Performance

($ thousands, except per share)	Years ended November 30, 2019	2018	2017
General and administrative	$(16,321)	$(18,493)	$(20,802)
Equity loss - Donlin Gold	(10,491)	(8,798)	(11,219)
Loss from operations	(26,812)	$(27,291)	$(32,021)
Net loss from continuing operations	(27,761)	$(31,466)	$(36,915)
Net loss from discontinued operations, net of tax	—	(81,299)	(2,101)
Net loss	$(27,761)	$(112,765)	$(39,016)
Net loss per common share – basic and diluted			
Continuing operations	$(0.09)	$(0.10)	$(0.11)
Discontinued operations	—	(0.25)	(0.01)
	$(0.09)	$(0.35)	$(0.12)

Results of Continuing Operations

General and administrative expense decreased from $18.5 million in 2018 to $16.3 million in 2019 primarily due to lower share-based compensation costs for stock options and performance share units (PSUs) compared to the prior year and lower salaries and benefits. The Company extended the vesting period for new stock option and PSU grants issued beginning in 2018 from two to three years and eliminated the individual performance multiplier in the formula for long-term equity compensation, which had the potential to increase long-term equity incentive grants above the target amount.

Equity loss – Donlin Gold increased from $8.8 million in 2018 to $10.5 million in 2019 due to the commencement of fieldwork to support the design packages needed to advance Alaska Dam Safety certification applications, partially offset by a reduction in permitting activities.

Net loss from continuing operations decreased from $31.5 million ($0.10 per share) in 2018 to $27.8 million ($0.09 per share) in 2019, primarily due to lower general and administrative costs, higher interest income and accretion of notes receivable, partially offset by increased costs at Donlin Gold and interest expense on the promissory note payable to Barrick.

Results of Discontinued Operations

Net loss from discontinued operations, net of tax of $81.3 million ($0.25 per share) in 2018 resulted primarily from the loss on the sale of Galore Creek, net of tax.

Liquidity, Capital Resources and Capital Requirements

($ thousands)	At November 30, 2019	2018	Change
Cash and cash equivalents	$67,549	$21,004	$46,545
Term deposits	81,000	146,000	(65,000)
	$148,549	$167,004	$(18,455)

The U.S. dollar denominated term deposits are held at Canadian chartered banks with high investment-grade ratings and have maturities of one year or less.

The net changes in total *Cash and cash equivalents* and *Term deposits* resulted from:

	Years ended November 30,		
($ thousands)	2019	2018	2017
Continuing operations			
Operating activities	$(6,127)	$(10,392)	$(8,077)
Funding of Donlin Gold	(11,122)	(8,907)	(11,368)
Withholding tax on share-based compensation	(1,197)	—	(196)
Other	(9)	(99)	124
	(18,455)	(19,398)	(19,517)
Discontinued operation			
Galore Creek	—	102,448	(1,803)
	$(18,455)	$83,050	$(21,320)

Net cash used in operating activities decreased by $4.3 million, primarily due to higher interest income and lower salaries and benefits. Funding of Donlin Gold increased by $2.2 million due to the commencement of geotechnical fieldwork, partially offset by lower permitting costs. Withholding taxes were paid on vested performance share units in the first quarter of 2019. No performance share units vested in 2018.

Net cash provided from discontinued operations of $102.4 million in 2018 included the receipt of $99.3 million in net cash proceeds on the sale of Galore Creek and $4.6 million of refunded cash deposits for Galore Creek reclamation bonding, partially offset by $1.5 million of Galore Creek project funding prior to the sale.

Total Donlin Gold funding of $11.1 million was $1.9 million lower than our original outlook of $13 million primarily due to the temporary suspension of geotechnical fieldwork as a result of summer wildfires in the project area. General and administrative spending of $10.1 million was lower than our original outlook of $11 million due to lower salaries and benefits.

We have sufficient working capital available for the next twelve-month period to cover anticipated funding of the Donlin Gold project and corporate general and administrative costs.

Contractual Obligations

Our contractual obligations as of November 30, 2019 were as follows:

($ thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Remediation	$182	$182	$—	$—	$—
Office and equipment leases	1,301	302	682	294	23
Promissory note	103,787	—	—	—	103,787
	$105,270	$484	$682	$294	$103,810

Off-Balance Sheet Arrangements

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

Outstanding share data

As of January 15, 2020, the Company had 328,330,519 common shares issued and outstanding. Also as of January 15, 2020, the Company had: i) a total of 13,564,882 stock options outstanding; 9,069,250 of those stock options with a weighted-average exercise price of $4.51 and the remaining 4,495,632 with a weighted-average exercise price of C$5.31; and ii) 1,684,000 PSUs and 264,588 deferred share units (DSUs) outstanding. Upon exercise of the foregoing convertible securities, the Company would be required to issue a maximum of 16,355,470 common shares.

Related party transactions

The Company provided technical services to Donlin Gold LLC for $nil in 2019, $658,000 in 2018 and $nil in 2017.

As of November 30, 2019, the Company has accounts receivable from Donlin Gold LLC of $nil (November 30, 2018: $247,000) included in other current assets.

Fourth quarter results

During the fourth quarter of 2019, we incurred a net loss of $7.9 million compared to a net loss of $6.3 million for the comparable period in 2018. The increase in net loss primarily resulted from Donlin Gold fieldwork to support the design packages needed to advance the application for Alaska Dam Safety certifications.

Accounting Developments

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

Critical Accounting Policies

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

Contingent note receivable

As a portion of the proceeds on the sale of Galore Creek to Newmont, the Company received a contingent note for $75,000 receivable upon the approval of a Galore Creek project construction plan by the owner(s). The Company has not assigned a value to the contingent note receivable as management determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale and the assessment did not change as of November 30, 2019. The contingent note will be recognized only when, in management's judgement, payment is probable, and the amount recorded will not reverse in future periods.

Investment in affiliates

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

Donlin Gold LLC is a non-publicly traded equity investee holding exploration and development projects. The Company reviews and evaluates its investment in affiliates for other than temporary impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Events that could indicate impairment of an investment in affiliates include a significant decrease in long-term expected gold price, a significant increase in expected operating or capital costs, unfavorable exploration results or technical studies, a significant decrease in reserves, a loss of significant mineral claims or a change in the development plan or strategy for the project. Asset impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. If the underlying assets are not recoverable, an impairment loss is measured and recorded based on the difference between the carrying amount of the investee and its estimated fair value which may be determined using a discounted cash flow model.

Income taxes

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

Share-based compensation

We grant share-based compensation awards in exchange for employee services, including a stock option plan and a PSU plan. The fair value of awards granted under the plans are recognized in the *Consolidated Statements of Loss* over the related service period. The fair values of stock options are estimated at the time of each grant using a Black-Scholes option pricing model, and the fair values of PSUs are measured at each grant date using a Monte Carlo valuation model. The fair value estimates may be impacted by certain variables including, but not limited to, stock price volatility, employee stock option exercise behaviors, additional stock option grants, estimates of forfeitures, the Company's performance and the Company's performance in relation to its peers.

We grant members of our board of directors DSUs whereby each DSU entitles the directors to receive one common share of the Company when they retire from service with the Company. The fair value of the DSUs is measured at the date of the grant in amounts ranging from 50% to 100% of directors’ annual retainers at the election of the directors. The fair value is recognized in the Consolidated Statements of Loss over the related service period.

As of November 30, 2019, we had \$2.2 million of unrecognized compensation cost related to 4.883 million non-vested stock options expected to be recognized and vest over a period of approximately two years. Also, as of November 30, 2019, we had 1.644 million non-vested PSU awards outstanding of which 0.432 million were fully expensed and vested in December 2019 with a multiplier of 150%. The remaining 1.232 million non-vested PSU awards with \$2.5 million of unrecognized compensation cost will be expensed and vest over a period of approximately two years.

Quantitative and Qualitative Disclosures about Market Risk

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

Credit risk

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

Notes receivable of $75 million upon the earlier of the completion of a new Galore Creek project pre-feasibility study or July 27, 2021, and $25 million upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023 are due from a subsidiary of Newmont. Newmont is a publicly-traded company with investment-grade credit ratings and has guaranteed the notes receivable.

Interest rate risk

The interest rate on the promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as at November 30, 2019, and assuming all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of approximately $1 million in the interest accrued by us per annum.

NYSE American Option Disclosure

As of December 1, 2018, there were 14,439,023 stock options available for grant pursuant to our 2004 Stock Award Plan, as amended, and as of November 30, 2019, there were 20,235,529 stock options available for grant. No outstanding stock option grants were repriced for any reason during fiscal year 2019.

Directors, Executive Officers and Corporate Governance

The following sets forth certain information with respect to our directors and executive officers as of November 30, 2019.

Name, Position	Principal Occupation	Principal Business of Employer
Sharon Dowdall(1)	Corporate Director	Mining
Dr. Diane Garrett(1)	President and Chief Executive Officer of Nickel Creek Platinum Corp.	Mining
Dr. Thomas Kaplan(1)	Chairman and Chief Executive Officer of The Electrum Group LLC	Investment advisory and asset management
Gregory Lang(1)(2)	President and Chief Executive Officer of NOVAGOLD RESOURCES INC.	Mining
Igor Levental(1)	President of The Electrum Group LLC	Investment advisory and asset management
Kalidas Madhavpeddi(1)	Corporate Director	Mining
Clynton Nauman(1)	President and Chief Executive Officer of Alexco Resource Corp.	Mining
Ethan Schutt(1)	Chief of Staff of Alaska Native Tribal Health Consortium	Health Care
Anthony Walsh(1)	Corporate Director	Mining
David Ottewell(2)	Vice President and Chief Financial Officer, NOVAGOLD RESOURCES INC.	Mining

(1) Director of NOVAGOLD RESOURCES INC.
(2) Executive officer of NOVAGOLD RESOURCES INC.

Financial Statements and Supplementary Financial Information

Financial Statements

The Report of Independent Registered Public Accounting Firm and the accompanying consolidated financial statements begin on the page 19 below.

Supplementary Financial Information

For the required supplementary financial information, please see note 19 to our audited consolidated financial statements included in this Annual Report.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report includes certain forward-looking statements or information within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995 concerning anticipated results and developments in our operations in future periods, planned exploration activities, the adequacy of our financial resources and other events or conditions that may occur in the future. 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 our plans and expectations relating to the Donlin Gold project, permitting and the timing thereof, market prices for precious 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 our mineral exploration and development properties;
- estimated capital costs, operating costs, production and economic returns;
- estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying our resource and reserve estimates;
- our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;
- assumptions that all necessary permits and governmental approvals will be obtained and the timing of such approvals;
- assumptions made in the interpretation of drill results, the geology, grade and continuity of our mineral deposits;
- our expectations regarding demand for equipment, skilled labor and services needed for exploration and development of mineral properties; and
- our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

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 our mineral exploration and development properties;
- our history of losses and expectation of future losses;
- risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;

- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- commodity price fluctuations;
- risks related to market events and general economic conditions;
- risks related to the third parties on which we depend for our exploration and development activities;
- dependence on cooperation of joint venture partners in exploration and development of properties;
- risks related to opposition to our operations at our mineral exploration and development properties from non-governmental organizations or civil society;
- the risk that permits and governmental approvals necessary to develop and operate mines on our properties will not be available on a timely basis, subject to reasonable conditions, or at all;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of our mineral deposits;
- uncertainties relating to the assumptions underlying our resource and reserve estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;
- risks related to lack of infrastructure required to develop, construct, and operate our mineral properties;
- uncertainty related to title to our mineral properties;
- 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;
- competition in the mining industry;
- risks related to governmental regulation and permits, including environmental regulation;
- risks related to our largest shareholder;
- risks related to conflicts of interests of some of the directors and officers of the Company;
- risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;
- credit, liquidity, interest rate and currency risks;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- our need to attract and retain qualified management and technical personnel;
- uncertainty as to the outcome of potential litigation;
- risks related to information technology systems;
- risks related to the Company's status as a "passive foreign investment company" in the United States; and
- risks related to global climate change.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements 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 Report under the heading "Risk Factors" and elsewhere.

Our forward-looking statements contained in this Annual Report are based on the beliefs, expectations and opinions of management as of the date of this report. We do 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.

Additional Information

Additional information relating to the Company is available on the Company's website at www.novagold.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. The Company will furnish to shareholders, free of charge, a hard copy of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2019, including the financial statements and financial statement schedules, upon request to Investor Relations at NOVAGOLD RESOURCES INC., 400 Burrard Street, Suite 1860, Vancouver, British Columbia, V6C 3A6, Canada, Telephone 604-669-6227, Toll-Free 866-669-6227, Fax 604-669-6272.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of NOVAGOLD RESOURCES INC.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of NOVAGOLD RESOURCES INC. and its subsidiaries (together, the Company) as of November 30, 2019 and 2018, and the related consolidated statements of loss and comprehensive loss, cash flows and equity for each of the three years in the period ended November 30, 2019, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of November 30, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of November 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recognition of the contingent note receivable

As described in Notes 2, 4 and 5 to the consolidated financial statements, on July 27, 2018, the Company completed the sale of its 50% interest in the Galore Creek Partnership and its 40% interest in the Copper Canyon mineral property ("the sale"). As part of the consideration for the sale, the Company received a $75 million note (the "contingent note receivable"), which is contingent upon the approval of a Galore Greek construction plan by the owner(s). The Company has not assigned a value to the contingent note receivable as management determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale. The Company's assessment did not change as of November 30, 2019. The contingent note will be recognized when, in management's judgment, it is probable that the payment will occur, and that the amount recorded will not reverse in future periods.

The principal consideration for our determination that performing procedures relating to the recognition of the contingent note receivable is a critical audit matter is that there was judgment made by management when determining if recognition was required, which in turn led to a high degree of subjectivity in performing audit procedures to evaluate management's assessment as to the probability of whether a construction plan will be approved.

Addressing the matter involved performing procedures and evaluating audit evidence, in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's process of assessing the basis for recognizing the contingent note receivable. These procedures also included evaluating how management formulated their judgment as to the likelihood of the owner(s) of the project approving the Galore Greek construction plan. This included considering both publicly available information and the latest annual progress report provided by the owner(s) of the project to the Company under the terms of the sale agreement.

(signed) *PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Vancouver, Canada
January 22, 2020

We have served as the Company's auditor since 1984.

NOVAGOLD RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
(US dollars in thousands)

	At November 30,	
	2019	2018
ASSETS		
Cash and cash equivalents	$67,549	$21,004
Term deposits	81,000	146,000
Other assets (Note 7)	1,790	2,379
Current assets	150,339	169,383
Notes receivable (Note 5)	92,679	89,459
Investment in Donlin Gold (Note 6)	1,840	1,209
Other assets (Note 7)	977	878
Total assets	$245,835	$260,929
LIABILITIES		
Accounts payable and accrued liabilities	$880	$710
Accrued payroll and related benefits	2,143	2,545
Income taxes payable	138	223
Other liabilities	182	182
Current liabilities	3,343	3,660
Promissory note (Note 8)	103,787	96,501
Deferred income taxes (Note 12)	751	80
Total liabilities	107,881	100,241
Commitments and contingencies (Note 16)		
EQUITY		
Common shares		
Authorized – 1,000 million shares, no par value		
Issued and outstanding – 327.6 and 323.2 million shares, respectively	1,965,573	1,954,861
Contributed surplus	82,254	87,987
Accumulated deficit	(1,885,065)	(1,857,682)
Accumulated other comprehensive loss	(24,808)	(24,478)
Total equity	137,954	160,688
Total liabilities and equity	$245,835	$260,929

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

Approved by the Board of Directors

/s/ Gregory A. Lang /s/ Anthony P. Walsh

NOVAGOLD RESOURCES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(US dollars in thousands except per share amounts)

	Years ended November 30, 2019	2018	2017
Operating expenses:			
General and administrative (Note 10)	$16,321	$18,493	$20,802
Equity loss - Donlin Gold (Note 6)	10,491	8,798	11,219
	26,812	27,291	32,021
Loss from operations	(26,812)	(27,291)	(32,021)
Accretion of notes receivable (Note 5)	3,220	1,061	—
Interest expense on promissory note (Note 8)	(7,286)	(6,461)	(5,228)
Other income, net (Note 11)	4,395	1,751	641
Loss before income taxes and other items	(26,483)	(30,940)	(36,608)
Income tax expense (Note 12)	(1,278)	(526)	(307)
Net loss from continuing operations	(27,761)	(31,466)	(36,915)
Net loss from discontinued operations, net of tax (Note 4)	—	(81,299)	(2,101)
Net loss	(27,761)	(112,765)	(39,016)
Other comprehensive income (loss):			
Foreign currency translation adjustments	48	(4,062)	12,414
Reclassification of cumulative translation adjustment included in net loss from discontinued operations (Note 4)	—	(13,776)	—
Unrealized holding gain (loss) on marketable securities during period net of $nil, $(128) and $43 tax (recovery) expense, respectively	—	(541)	271
Reclassification adjustment for losses on marketable securities included in net loss from continuing operations (Note 11)	—	76	—
	48	(18,303)	12,685
Comprehensive loss	$(27,713)	$(131,068)	$(26,331)
Net loss per common share – basic and diluted			
Continuing operations	$(0.09)	$(0.10)	$(0.11)
Discontinued operations	—	(0.25)	(0.01)
	$(0.09)	$(0.35)	$(0.12)
Weighted average shares outstanding			
Basic and diluted (thousands)	325,785	322,487	321,659

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

NOVAGOLD RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(US dollars in thousands)

	Years ended November 30,		
	2019	2018	2017
Operating activities:			
Net loss	$(27,761)	$(112,765)	$(39,016)
Adjustments:			
Equity loss – Donlin Gold (Note 6)	10,491	8,798	11,219
Interest expense on promissory note (Note 8)	7,286	6,461	5,228
Share-based compensation (Note 13)	6,176	7,727	10,293
Accretion of notes receivable (Note 5)	(3,220)	(1,061)	—
Deferred income tax expense (recovery) (Note 12)	671	80	(43)
Foreign exchange loss (gain)	(20)	171	531
Net loss from discontinued operations, net of tax (Note 4)	—	81,299	2,101
Other operating adjustments	(78)	98	4
Net change in operating assets and liabilities (Note 17)	328	(1,200)	1,606
Net cash used in operating activities of continuing operations	(6,127)	(10,392)	(8,077)
Investing activities:			
Proceeds from term deposits	219,000	62,000	151,900
Purchases of term deposits	(154,000)	(152,000)	(132,900)
Funding of Donlin Gold	(11,122)	(8,907)	(11,368)
Other	(17)	(13)	(28)
Net cash provided from (used in) investing activities of continuing operations	53,861	(98,920)	7,604
Net cash provided from (used in) investing activities of discontinued operations (Note 4)	—	102,448	(1,803)
Net cash provided from (used in) investing activities	53,861	3,528	5,801
Financing activities:			
Withholding tax on share-based compensation	(1,197)	—	(196)
Net cash used in financing activities of continuing operations	(1,197)	—	(196)
Effect of exchange rate changes on cash and cash equivalents	8	(86)	152
Net change in cash and cash equivalents	46,545	(6,950)	(2,320)
Cash and cash equivalents at beginning of period	21,004	27,954	30,274
Cash and cash equivalents at end of period	$67,549	$21,004	$27,954

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

NOVAGOLD RESOURCES INC.
CONSOLIDATED STATEMENTS OF EQUITY
(US dollars and shares in thousands)

	Common shares		Contributed	Accumulated		Total
	Shares	Amount	surplus	deficit	AOCL*	equity
November 30, 2016	320,016	$1,942,451	$82,573	$(1,705,901)	$(18,860)	$300,263
Share-based compensation	—	—	10,293	—	—	10,293
PSUs settled in shares	1,513	4,000	(4,000)	—	—	—
DSUs settled in shares	28	122	(122)	—	—	—
Stock options exercised	662	5,014	(5,014)	—	—	—
Withholding tax on PSUs	—	—	(196)	—	—	(196)
Net loss	—	—	—	(39,016)	—	(39,016)
Other comprehensive income	—	—	—	—	12,685	12,685
November 30, 2017	322,219	$1,951,587	$83,534	$(1,744,917)	$(6,175)	$284,029
Share-based compensation	—	—	7,727	—	—	7,727
DSUs settled in shares	98	427	(427)	—	—	—
Stock options exercised	906	2,847	(2,847)	—	—	—
Net loss	—	—	—	(112,765)	—	(112,765)
Other comprehensive loss	—	—	—	—	(18,303)	(18,303)
November 30, 2018	323,223	$1,954,861	$87,987	$(1,857,682)	$(24,478)	$160,688
Cumulative-effect adjustment of adopting ASU No. 2016-01	—	—	—	378	(378)	—
Share-based compensation	—	—	6,176	—	—	6,176
PSUs settled in shares	438	2,737	(2,737)	—	—	—
DSUs settled in shares	32	120	(120)	—	—	—
Stock options exercised	3,937	7,855	(7,855)	—	—	—
Withholding tax on PSUs	—	—	(1,197)	—	—	(1,197)
Net loss	—	—	—	(27,761)	—	(27,761)
Other comprehensive income	—	—	—	—	48	48
November 30, 2019	327,630	$1,965,573	$82,254	$(1,885,065)	$(24,808)	$137,954

* Accumulated other comprehensive loss

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

NOTE 1 – THE COMPANY

NOVAGOLD RESOURCES INC. and its affiliates and subsidiaries (collectively, "NOVAGOLD" or the "Company") operate in the mining industry, focused on the exploration for and development of gold mineral properties. The Company has no realized revenues from its planned principal business purpose. The Company's principal asset is a 50% interest in the Donlin Gold project in Alaska, USA. The Donlin Gold project is owned and operated by Donlin Gold LLC, a limited liability company that is owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick Gold Corporation ("Barrick").

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation

The Consolidated Financial Statements include the accounts of NOVAGOLD RESOURCES INC. and its wholly-owned subsidiaries NOVAGOLD U.S. Holdings Inc., NOVAGOLD Resources Alaska Inc., NOVAGOLD USA, Inc., and AGC Resources Inc. All inter-company transactions and balances are eliminated on consolidation.

The Consolidated Financial Statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP). The preparation of the Company's Consolidated Financial Statements in accordance with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of expenses during the reporting period. The Company bases its estimates and assumptions on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from the amounts recorded in these Consolidated Financial Statements.

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

Foreign currency

The functional currency for NOVAGOLD RESOURCES INC. is the Canadian dollar and the functional currency for the Company's U.S. operations is the U.S. dollar. Therefore, gains and losses on U.S. dollar denominated transactions and the effect of translating U.S. dollar denominated balances of Canadian operations are recorded in net loss. The effects of translating the Company's Canadian operations from the Canadian dollar to the U.S. dollar are recorded in Other comprehensive income (loss).

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments with original maturities of three months or less that are considered to be cash equivalents. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Term deposits

The Company's term deposits are classified as held to maturity and recorded at cost. Term deposits are held at Chartered Canadian banks with original maturities of 12 months or less. The term deposits are not traded in an active market.

Discontinued operations

The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has (or will have) a major effect on the Company's operations and financial results when the business is classified as held for sale. The results of discontinued operations are reported in *Net income (loss) from discontinued operations*, *net of tax* in the accompanying Consolidated Statements of Operations for current and prior periods, including any gain or loss recognized on closing or adjustment of the carrying amount to fair value less cost to sell.

On July 27, 2018, the Company completed the sale of its 50% interest in the Galore Creek Partnership (GCP) and its 40% interest in the Copper Canyon mineral property in British Columbia, Canada (collectively referred to herein as "Galore Creek"). As a result, the Company presents Galore Creek as a discontinued operation for all periods presented. Accordingly, the Consolidated Statements of Loss and Comprehensive Loss and Cash Flows have been reclassified to present Galore Creek as a discontinued operation for all periods presented, and the amounts presented in these notes relate only to continuing operations unless otherwise noted. For additional information regarding discontinued operations, see Note 4.

Contingent note receivable

A portion of the proceeds related to the sale of Galore Creek to Newmont includes a $75,000 note receivable, contingent upon the approval of a Galore Creek project construction plan by the owner(s). The Company has not assigned a value to the contingent note receivable as management determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale or in subsequent periods. The contingent note will be recognized when, in management's judgement, it is probable that the payment will occur, and that the amount recorded will not reverse in future periods.

Investment in affiliates

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

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

Donlin Gold LLC is a non-publicly traded equity investee owning an exploration and development project. Therefore, the Company assesses whether there has been a potential impairment triggering event for other-than-temporary impairment by testing the underlying assets of the equity investee for recoverability and assessing whether there has been a change in the development plan or strategy for the project. If the underlying assets are not recoverable, the Company will record an impairment charge equal to the difference between the carrying amount of the investee and its fair value.

Income taxes

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

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

Share-based payments

The Company records share-based compensation awards exchanged for employee services at fair value on the date of the grant and expenses the awards in the Consolidated Statements of Loss over the requisite employee service period. The fair values of stock options are determined using a Black-Scholes option pricing model. The fair values of PSUs are determined using a Monte Carlo valuation model. The Company's estimates may be impacted by certain variables including, but not limited to, stock price volatility, employee stock option exercise behaviors, additional stock option grants, estimates of forfeitures, the Company's performance and the Company's performance in relation to its peers.

Net income (loss) per common share

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

Recently adopted accounting pronouncements

Restricted Cash

In November 2016, ASU No. 2016-18 was issued related to the inclusion of restricted cash in the statement of cash flows. The new guidance requires that a statement of cash flows present the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017 and early adoption is permitted. The Company retrospectively adopted this guidance as of December 1, 2018. The Company did not have restricted cash or restricted cash equivalents for the periods presented and adoption of this standard did not have any impact on the Consolidated Financial Statements or disclosures.

Statement of Cash Flows

In August 2016, ASU No. 2016-15 was issued related to the statement of cash flows. The Company adopted this new guidance effective December 1, 2018 and made an accounting policy election to classify distributions received from its equity method investee, Donlin Gold LLC, using a cumulative earnings approach. Distributions received will be considered returns on investment and classified as cash inflows from operating activities, unless the cumulative distributions received less distributions received in prior periods that were determined to be returns of investment exceed cumulative equity in earnings recognized. When such an excess occurs, the current-period distribution up to this excess will be considered a return of investment and classified as cash inflows from investing activities. Adoption of this standard did not have any impact on the Consolidated Financial Statements or disclosures.

Classification and Measurement of Financial Instruments

In January 2016, ASU No. 2016-01 was issued to amend the guidance on the classification and measurement of financial instruments, which was further amended in February 2018 by ASU No. 2018-03. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The new guidance also amends certain disclosure requirements for these investments. The Company adopted this standard as of December 1, 2018 and reclassified $378 of unrealized holding gains and deferred income taxes related to investments in marketable equity securities from *Accumulated other comprehensive loss* to *Accumulated deficit* in the Consolidated Balance Sheets.

Recently issued accounting pronouncements

Leases

In February 2016, ASU No. 2016-02 was issued related to leases, which was further amended in September 2017 by ASU No. 2017-13, in January 2018 by ASU No. 2018-01, in July 2018 by ASU No. 2018-11, in December 2018 by ASU No. 2018-20 and in March 2019 by ASU No. 2019-01. The new guidance modifies the classification criteria and requires lessees to recognize the assets and liabilities arising from most leases on the balance sheet. The new guidance will be adopted for the Company's fiscal year beginning December 1, 2019. Adoption of this guidance is not expected to materially increase the Company's assets and liabilities.

Fair Value Disclosure Requirements

In August 2018, ASU No. 2018-13 was issued to modify and enhance the disclosure requirements for fair value measurements. This update is effective in fiscal years, including interim periods, beginning after December 1, 2020, and early adoption is permitted. The Company is currently evaluating this guidance and the impact on its Consolidated Financial Statements and disclosures.

NOTE 3 – SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Chief Executive Officer considers the business from a geographic perspective considering the performance of our investments in the Donlin Gold project in Alaska, USA (Note 6) and, prior to its disposal on July 27, 2018, the Galore Creek project in British Columbia, Canada (Note 4).

NOTE 4 – DISCONTINUED OPERATIONS

Galore Creek transaction

On July 27, 2018, the Company completed the sale of its 50% interest in the Galore Creek assets to Newmont. The Company received $100,000 on closing; a note for $75,000 receivable upon the earlier of the completion of a new Galore Creek project pre-feasibility study or July 27, 2021; a note for $25,000 receivable upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023; and an additional note for $75,000 is receivable upon the approval of a Galore Creek project construction plan by the owner(s). The Company has no remaining interest in Galore Creek.

The details of our *Net loss from discontinued operations, net of tax,* are set forth below:

	Years ended November 30,		
	2019	2018	2017
Equity loss – Galore Creek	$—	$(1,203)	$(1,676)
Income tax expense	—	—	(425)
Galore Creek operations, net of tax	—	(1,203)	(2,101)
Loss on sale of Galore Creek, net of tax	—	(80,096)	—
	$—	$(81,299)	$(2,101)

In 2018, the Company recognized a *Loss on sale of Galore Creek, net of tax*, calculated as follows:

Cash consideration received on closing	$100,000
Refund of reclamation deposits	4,897
Less closing costs	(721)
	104,176
Fair value of notes receivable (Note 5)	88,398
Net proceeds	192,574
Less book values:	
Investment in GCP	(248,367)
Copper Canyon mineral property	(44,577)
Reclamation deposits	(4,967)
Reclassification of cumulative foreign currency translation adjustments	13,776
Deferred income tax recovery	11,465
	$(80,096)

Other comprehensive income (loss) was not impacted by discontinued operations as Galore Creek did not have any *Other comprehensive income (loss)*.

The details of our *Net cash provided from (used in) investing activities of discontinued operations* are set forth below:

	Years ended November 30,		
	2019	2018	2017
Funding of GCP	$—	$(1,475)	$(1,600)
Net cash proceeds received	—	99,279	—
Reclamation deposits	—	4,644	(203)
	$—	$102,448	$(1,803)

NOTE 5 – NOTES RECEIVABLE

The Company has notes receivable from Newmont including a $75,000 note receivable upon the earlier of the completion of a new Galore Creek project pre-feasibility study or July 27, 2021, and a $25,000 note receivable upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023. On closing of the Galore Creek sale, the Company estimated the fair value of the $75,000 and $25,000 notes receivable at $88,398, assuming payments in three and five years, respectively, at a discount rate of 3.6% based on quoted market values for Newmont debt with a similar term. The carrying values of the notes receivable are being accreted to $75,000 and $25,000 over three and five years, respectively. No value was assigned to the final $75,000 contingent note receivable. The Company determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale. The Company's assessment did not change as of November 30, 2019.

Changes in the Company's *Notes Receivable* are summarized as follows:

	Years ended November 30,		
	2019	2018	2017
Balance – beginning of period	$89,459	$—	$—
Fair value of notes receivable	—	88,398	—
Accretion of notes receivable	3,220	1,061	—
Balance – end of period	$92,679	$89,459	$—

NOTE 6 – INVESTMENT IN DONLIN GOLD

The Donlin Gold project is owned and operated by Donlin Gold LLC, a limited liability company in which wholly-owned subsidiaries of NOVAGOLD and Barrick each own a 50% interest. Donlin Gold LLC has a board of four directors, with two directors selected by Barrick and two directors selected by the Company. All significant decisions related to Donlin Gold LLC require the approval of at least a majority of the Donlin Gold LLC board members.

Changes in the Company's *Investment in Donlin Gold* are summarized as follows:

	Years ended November 30,		
	2019	2018	2017
Balance – beginning of period	$1,209	$1,100	$951
Share of losses:			
Mineral property expenditures	(10,434)	(8,785)	(11,139)
Depreciation	(57)	(13)	(80)
	(10,491)	(8,798)	(11,219)
Funding	11,122	8,907	11,368
Balance – end of period	$1,840	$1,209	$1,100

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

	At November 30,	
	2019	2018
Current assets: Cash, prepaid expenses and other receivables	$3,115	$1,872
Non-current assets: Property and equipment	462	10
Non-current assets: Mineral property	32,692	32,692
Current liabilities: Accounts payable and accrued liabilities	(1,737)	(673)
Non-current liabilities: Reclamation obligation	(692)	(692)
Net assets	$33,840	$33,209

NOTE 7 – OTHER ASSETS

	At November 30,	
	2019	2018
Other current assets:		
Accounts and interest receivable	$1,100	$1,781
Prepaid expenses	690	598
	$1,790	$2,379
Other long-term assets:		
Marketable equity securities	$935	$839
Office equipment	42	39
	$977	$878

NOTE 8 – PROMISSORY NOTE

The Company has a promissory note payable to Barrick of $103,787, comprised of $51,576 in principal, and $52,211 in accrued interest at U.S. prime plus 2%. The promissory note resulted from the agreement that led to the formation of Donlin Gold LLC, where the Company agreed to reimburse Barrick for a portion of their expenditures incurred from April 1, 2006 to November 30, 2007. The promissory note and accrued interest are payable from 85% of the Company's share of revenue from future mine production or from any net proceeds resulting from a reduction of the Company's interest in Donlin Gold LLC. The carrying value of the promissory note approximates fair value.

Changes in the Company's *Promissory Note* is summarized as follows:

	Years ended November 30,		
	2019	2018	2017
Balance – beginning of period	$96,501	$90,040	$84,812
Interest expense on promissory note	7,286	6,461	5,228
Balance – end of period	$103,787	$96,501	$90,040

NOTE 9 – FAIR VALUE ACCOUNTING

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

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2 — Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities was $935 at November 30, 2019 ($839 at November 30, 2018), calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

NOTE 10 – GENERAL AND ADMINISTRATIVE

	Years ended November 30,		
	2019	2018	2017
Share-based compensation (Note 13)	$6,176	$7,727	$10,293
Salaries and benefits	5,904	6,531	6,470
Office expense	2,311	2,346	2,140
Professional fees	972	949	873
Corporate communications and regulatory	943	918	992
Depreciation	15	22	34
	$16,321	$18,493	$20,802

NOTE 11 – OTHER INCOME, NET

	Years ended November 30,		
	2019	2018	2017
Interest income	$4,190	$1,998	$1,114
Change in fair market value of marketable securities	93	—	—
Foreign exchange gain (loss)	20	(171)	(531)
Other	92	(76)	58
	$4,395	$1,751	$641

NOTE 12 – INCOME TAXES

The British Columbia provincial corporate tax rate increased from 11% to 12% commencing January 1, 2018, resulting in an increase in the Company's statutory tax rate from 26% in 2017 to 26.92% in 2018, and to 27% in 2019 onward.

The U.S. tax reform enacted on December 22, 2017 (the "Act"), allows a Section 250 deduction amounting to 37.5% of the U.S. entity's foreign derived intangible income (FDII) for the fiscal year ended November 30, 2019. This resulted in an FDII deduction of $96 which is equivalent to a tax saving of $20. As of January 16, 2020, the Company had completed the accounting for tax effects related to U.S. tax reform corresponding to the fiscal year ended November 30, 2019.

The Act also includes a number of other provisions including the limitations on the use of future losses, repeal of the Alternative Minimum Tax regime and the introduction of a base erosion and anti-abuse tax. These provisions are not expected to have immediate effect on the Company. Given the significant complexity of the Act, further implications of the Act may be identified in future periods.

The Company's *Income tax expense* consisted of:

	Years ended November 30,		
	2019	2018	2017
Current:			
Canada	$—	$—	$—
Foreign	607	446	350
	607	446	350
Deferred:			
Canada	—	—	(43)
Foreign	671	80	—
	671	80	(43)
Income tax expense	$1,278	$526	$307

The Company's *Loss before income tax and other items* consisted of:

	Years ended November 30,		
	2019	2018	2017
Canada	$(12,584)	$(15,018)	$(18,825)
Foreign	(13,899)	(15,922)	(17,783)
	$(26,483)	$(30,940)	$(36,608)

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

	Years ended November 30,		
	2019	2018	2017
Loss before income taxes and other items	$(26,483)	$(30,940)	$(36,608)
Combined federal and provincial statutory tax rate	27%	26.92%	26%
Income tax recovery based on statutory income tax rates	(7,150)	(8,329)	(9,518)
Reconciling items:			
Non-deductible expenditures	2,136	2,150	2,485
Foreign accrual property income	180	580	(439)
Effect of different statutory tax rates on earnings or losses of subsidiaries	(658)	(574)	(2,690)
Effect of statutory tax rate change	—	73,135	(2,566)
Change in valuation allowance on deferred tax assets	6,773	(66,466)	12,954
Other	(3)	30	81
Income tax expense	$1,278	$526	$307
Effective tax rate	(4.8)%	(1.7)%	(0.8)%

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

	At November 30,	
	2019	2018
Deferred tax income assets:		
Net operating loss carry forwards	$175,383	$170,044
Capital loss carry forwards	47,953	48,062
Mineral properties	638	637
Intangible assets	473	472
Property and equipment	194	194
Investment in affiliates	33,508	31,934
Unpaid interest expense	2,105	2,105
Unrealized loss on investments	368	380
Other	569	857
	261,191	254,685
Valuation allowances	(260,920)	(254,072)
	271	613
Deferred income tax liabilities:		
Investment tax credit	(8)	(8)
Notes receivable	(759)	(82)
Capitalized assets and other	(255)	(603)
	(1,022)	(693)
Net deferred income tax assets (liabilities)	$(751)	$(80)

These amounts reflect the classification and presentation that is reported for each tax jurisdiction in which the Company operates.

Net deferred income tax assets and liabilities consist of:

	At November 30,	
	2019	2018
Non-current deferred income tax assets	$—	$—
Non-current deferred income tax liabilities	(751)	(80)
	$(751)	$(80)

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

Year of Expiry	U.S.	Canada
2024	$1,032	$—
2025	1,246	—
2026	13,382	18,699
2027	18,493	1,816
2028	85	—
2029	11,223	11,768
2030	10,916	15,660
2031	16,580	15,585
2032	309,772	19,020
2033	14,529	14,353
2034	15,607	7,569
2035	16,383	5,468
2036	14,764	8,102
2037	14,111	7,943
2038	—	7,348
2039	—	4,888
Indefinite	27,212	—
	$485,335	$138,219

Under the U.S. tax reform, net operating losses arising in tax years ending after December 31, 2017 can be carried over to each taxable year following the tax year of loss (indefinitely). The Company has capital loss carry-forwards of approximately $354,356 (November 30, 2018: $355,162) for Canadian tax purposes. These tax losses are carried forward indefinitely.

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

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax asset. Significant pieces of objective negative evidence evaluated included the cumulative loss incurred as of November 30, 2019. Such objective evidence limits the ability to consider other subjective evidence such as management's projections for future growth. On the basis of this evaluation, as of November 30, 2019, a valuation allowance of $260,920 (November 30, 2018: $254,072) inclusive of valuation allowance for investment tax credits has been recorded in order to measure only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable; however, could be adjusted if estimates of future taxable income during the carry forward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as management's projections for growth.

Uncertain tax position

There were no uncertain tax positions as of November 30, 2019, 2018 and 2017. The Company recognizes any interest and penalties related to uncertain tax positions, if any, as income tax expense. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheet. As of November 30, 2019, 2018 and 2017, there were no accrued interest and penalties related to uncertain tax positions. The Company is subject to income taxes in Canada and the United States. With few exceptions, the tax years that remain subject to examination as of November 30, 2019 are 2015 to 2019 in Canada and 2016 to 2019 in the United States.

NOTE 13 – SHARE-BASED COMPENSATION

Share incentive awards include a stock option plan for directors, executives, employees and eligible consultants, a PSU plan for executives, employees and eligible consultants and a DSU plan for directors of the Company. Options granted to purchase common shares have exercise prices not less than the fair market value of the underlying share at the date of grant. At November 30, 2019, 31.4 million common shares were available for future share incentive plan awards under all three plans.

The Company recognized share-based compensation expense (see *Note 10 - General and administrative*) as follows:

	Years ended November 30,		
	2019	2018	2017
Stock options	$3,694	$3,767	$5,496
Performance share unit plan	2,320	3,783	4,588
Deferred share unit plan	162	177	209
	$6,176	$7,727	$10,293

Stock options

Stock options granted under the Company's share-based incentive plans generally expire five years after the date of grant and vest in one-third annual increments beginning on the first anniversary of the date of grant. The value of each option award is estimated at the date of grant using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option award and share price volatility. The expected term of options granted is derived from historical data on employee exercise and post-vesting employment termination experience. Expected volatility is based on the historical volatility of the Company's shares at the date of grant over the same length of term. These estimates involve inherent uncertainties and the application of management's judgment. In addition, management estimates the expected forfeiture rate and only recognizes expense for those options expected to vest. As a result, if other assumptions had been used, the recorded share-based compensation expense would have been different from that reported.

A summary of stock options outstanding as of November 30, 2019, and activity during the year ended November 30, 2019 are as follows:

	Number of stock options (thousands)	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
November 30, 2018	17,883	$3.36		
Granted	2,860	3.68		
Exercised	(7,977)	2.48		
Forfeited	(239)	3.95		
November 30, 2019	12,527	$3.98	2.43	$37,253
Vested and exercisable as of November 30, 2019	7,645	$4.12	1.69	$21,652

The following table summarizes other stock option-related information:

	Years ended November 30,		
	2019	2018	2017
Weighted-average assumptions used to value stock option awards:			
Expected volatility	46.9%	50%	50%
Expected term of options (years)	4	3	3
Expected dividend rate	—	—	—
Risk-free interest rate	2.7%	1.8%	1.2%
Expected forfeiture rate	3.1%	2.3%	2.5%
Weighted-average grant-date fair value	$1.46	$1.35	$1.60
Intrinsic value of options exercised	$20,527	$3,744	$5,014
Cash received from options exercised	$—	$—	$—

As of November 30, 2019, the Company had $2,205 of unrecognized compensation cost related to 4,883,000 non-vested stock options expected to be recognized and vest over a period of approximately two years.

Performance share units

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

The value of each PSU granted is estimated at the grant date using a Monte Carlo simulation model. The Monte Carlo simulation model requires the input of subjective assumptions, including the share price volatility of the Company's stock, as well as comparator index and the correlation of returns between the comparator index and the Company. Expected volatility is based on the historical volatility of the Company's shares and the comparator index at the grant date. These estimates involve inherent uncertainties and the application of management's judgment. As a result, if other assumptions had been used, our recorded share-based compensation expense would have been different from that reported.

A summary of PSU awards outstanding and activity during the year ended November 30, 2019 are as follows:

	Number of PSU awards (thousands)	Weighted-average grant day fair value per award	Aggregate intrinsic value
November 30, 2018	1,797	$4.39	
Granted	803	3.67	
Vested	(764)	4.58	
Performance adjustment	(167)	4.58	
Cancelled	(5)	3.76	
November 30, 2019	1,664	$3.76	$17,408

During the year ended November 30, 2019, the Company paid $1,197 for employee withholding taxes on vested performance share units. As of November 30, 2019, the Company had 1,664,000 non-vested PSU awards outstanding of which 432,000 were fully expensed and vested on December 2, 2019 with a multiplier of 150%. The remaining 1,232,000 non-vested PSU awards with $2,516 of unrecognized compensation cost will be expensed and vest over a period of approximately two years.

The following table summarizes other PSU-related information:

	Years ended November 30,		
	2019	2018	2017
Performance multiplier on PSUs vested	82%	—%	113%
Common shares issued (thousands)	438	—	1,513
Total fair value of common shares issued	$1,607	$—	$6,932
Withholding tax paid on PSUs vested	$1,197	$—	$196

Deferred share units

The Company has a DSU plan that provides for the issuance of DSUs in amounts where the Directors receive half of their annual retainer in DSUs and have the option to elect to receive all or a portion of the other half of their annual retainer in DSUs. Each DSU entitles the Directors to receive one common share when they retire from the Company. The Company granted 35,851, 45,103 and 48,830 DSUs to Directors with a weighted-average grant day fair value of $4.40, $4.07 and $4.36 per DSU during 2019, 2018 and 2017, respectively. The Company issued 31,721, 98,160 and 27,536 common shares under the DSU plan in 2019, 2018 and 2017, respectively. At November 30, 2019, there were 258,762 DSUs outstanding.

NOTE 14 – SHARE CAPITAL

Common shares

The Company is authorized to issue 1,000,000,000 common shares without par value, of which 327,629,928 were issued and outstanding as of November 30, 2019, and 323,222,840 were issued and outstanding as of November 30, 2018.

Preferred shares

Pursuant to the Company's Notice of Articles filed under the Business Corporations Act (British Columbia), the Company is authorized to issue 10,000,000 preferred shares without par value. The authorized but unissued preferred shares may be issued in designated series from time to time by one or more resolutions adopted by the Directors. The Directors have the authority to determine the preferences, limitations and relative rights of each series of preferred shares. At November 30, 2019 and 2018, no preferred shares were issued or outstanding.

NOTE 15 – RELATED PARTY TRANSACTIONS

The Company provided technical services to Donlin Gold LLC for $nil in 2019 ($658 in 2018 and $nil in 2017). As of November 30, 2019, the Company has accounts receivable from Donlin Gold LLC of $nil (November 30, 2018: $247) included in *Other current assets*.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

Obligations under operating leases

The Company leases certain assets, such as office equipment and office facilities, under operating leases expiring at various dates through 2025. Future minimum annual lease payments are $302 in 2020, $337 in 2021, $345 in 2022, $155 in 2023, $139 in 2024 and $23 thereafter, totaling $1,301.

NOTE 17 – NET CHANGE IN OPERATING ASSETS AND LIABILITIES

	Years ended November 30,		
	2019	2018	2017
Changes in operating assets and liabilities:			
Other assets	$646	$(1,471)	$1,266
Accounts payable and accrued liabilities	84	233	52
Accrued payroll and related benefits	(402)	38	320
Other liabilities	—	—	(32)
	$328	$(1,200)	$1,606

NOTE 18 – SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended November 30,		
	2019	2018	2017
Interest received	$3,094	$1,038	$1,101
Income taxes paid	$692	$331	$343

Non-cash investing activities

During 2018, the Company recorded a non-cash increase to long-term notes receivable of $88,398 as a portion of the proceeds received on the sale of the Galore Creek assets (Note 5).

NOTE 19 – UNAUDITED SUPPLEMENTARY DATA

Quarterly data

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

	2019			
	Q1	Q2	Q3	Q4
Loss from operations	$(5,663)	$(6,413)	$(7,216)	$(7,520)
Net loss from continuing operations	$(6,323)	$(5,515)	$(8,056)	$(7,867)
Net loss from discontinued operations	—	—	—	—
Net loss	$(6,323)	$(5,515)	$(8,056)	$(7,867)
Net loss per common share, basic and diluted				
Continuing operations	$(0.02)	$(0.02)	$(0.02)	$(0.02)
Discontinued operations	—	—	—	—
	$(0.02)	$(0.02)	$(0.02)	$(0.02)

	2018			
	Q1	Q2	Q3	Q4
Loss from operations	$(6,526)	$(7,801)	$(6,922)	$(6,042)
Net loss from continuing operations	$(7,962)	$(9,237)	$(8,043)	$(6,224)
Net loss from discontinued operations	(253)	(394)	(80,582)	(70)
Net loss	$(8,215)	$(9,631)	$(88,625)	$(6,294)
Net loss per common share, basic and diluted				
Continuing operations	$(0.03)	$(0.03)	$(0.02)	$(0.02)
Discontinued operations	—	—	(0.25)	—
	$(0.03)	$(0.03)	$(0.27)	$(0.02)

Significant after-tax items were as follows:

Fourth quarter 2019:	n/a
Third quarter 2019:	n/a
Second quarter 2019:	n/a
First quarter 2019:	n/a
Fourth quarter 2018:	n/a
Third quarter 2018:	*Loss on sale of Galore Creek, net of tax*, $80,026 ($0.25 per share loss – basic and diluted)
Second quarter 2018:	n/a
First quarter 2018:	n/a