



NOVAGOLD

2017 ANNUAL REPORT



IMPLEMENTING OUR VALUE-ENHANCING STRATEGY

A disciplined approach toward advancement of world-class projects creates value for all stakeholders of NOVAGOLD.

Left: Donlin Gold completed a 16-hole drill program in November 2017.

Cover: Throughout exploration efforts, all equipment for Donlin Gold has been transported by air.



The Kuskokwim Corporation (TKC) was formed by the merger of the 10 Village Corporations highlighted.

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(separate document)

Our employees and neighbors take pride in the work and activities depicted in the photographs throughout this report, most of which were taken at the Donlin Gold and Galore Creek project sites or in the surrounding communities. All scientific and technical information in the body of this annual report is qualified by and is to be read in conjunction with the reserves and resources tables and associated notes found on pages 34 and 35 of this annual report. All dollar amounts quoted in this report are in U.S. currency unless otherwise noted.

“We are building a foundation that will provide members of Calista and TKC, and their descendants, with the opportunity to thrive socially and economically, as well as support and maintain their subsistence way of life as Donlin Gold continues to advance in its development.”

Gregory A. Lang | president and CEO, NOVAGOLD



Dog mushing was a traditional means of transportation during winter months. Today, professional mushers carry on the tradition, training year-round to compete in races throughout the Arctic.

LETTER TO SHAREHOLDERS



Gregory A. Lang | president and CEO

Over the past six years, we have been methodically advancing our two assets up the value chain: the 50%-owned Donlin Gold project in Alaska and the 50%-owned Galore Creek copper-gold-silver project in British Columbia. Our company's core priority throughout this period has been to position NOVAGOLD such that when the scarcity value of these tier-one properties is realized – and the market is willing to pay the right price for growth – our efforts will render NOVAGOLD the go-to gold stock. This revaluation can happen quickly.

Looking at the last time our share price rose quickly, in 2010, we faced more than a few headwinds and had some things to prove. Yet despite such adversity, NOVAGOLD's share price more than doubled within a matter of months. This is worth remembering, as this was before we had a feasibility study on Donlin Gold; before we had a pre-feasibility study on Galore Creek; before relations with our partner on the Donlin Gold project – strained by the baggage of the failed takeover attempt in 2006 – became truly friendly and close; before the seasoned management team we have in place today had been hired; and before the company's stated belief that permitting our project in Alaska would succeed had been demonstrated. Successfully turning all of these NOVAGOLD-specific headwinds into major tailwinds for our company will surely advance our unique story. I would add that a number of other factors that did not seem particularly critical at the time have been very positive for NOVAGOLD. Let us ponder some of them, as they will inevitably resonate with all of our shareholders. In 2010, miners – and investors – were ambivalent about grade; now grade is king. And even if the quality of the discoveries was low, exploration was yielding some success. Since the beginning of the decade, however, no new discoveries that could significantly move the needle for the majors have been found. Perhaps most important, miners – and again investors – were rather cavalier about where they secured and developed their projects. Now if a management team

claims to have one of the industry's best assets, it had better also be able to satisfyingly answer investors' likely question: "Where in the world is it?"

Between what we have done right in the areas within our control and what has happened to the industry, NOVAGOLD today is better positioned than ever. As we work and wait, it can be frustrating at times for all of us who want to see NOVAGOLD achieve its true potential. But we are convinced that the phenomenon we call "the tortoise and the hare" is going to provide the value we all seek. The price of gold will obviously have a say in the matter. Nonetheless, in terms of those items within our control, we are delivering on our strategy of derisking our flagship project, Donlin Gold, setting the stage for a timely construction decision. 2017, a year characterized by success across the board, was certainly no exception. We continued to execute on the company's stated strategy, making progress on all fronts – including completing a drill program that will help advance our optimization work at Donlin Gold, a one-of-a-kind asset where potential value generation is highest. In our view, Donlin Gold represents the world's most important gold development project and warrants a singular, laser-like focus. This truly will be a model mine, in no small part because of the exceptional level of dedication, collaboration, trust, and respect among all stakeholders as they continue to move the project forward. This is what motivates us. We believe that the best is yet to come – for our shareholders, for our partners, and for all of our project's local stakeholders.

A resource almost four times the size of the peer group average.



* Donlin Gold resources as per the second updated feasibility study effective November 18, 2011, as amended January 20, 2012. Represents 100% of measured resources of 7.7 million tonnes at 2.52 g/t and indicated resources of 533.6 million tonnes at 2.24 g/t and includes proven and probable reserves. NOVAGOLD's share of total Donlin Gold resources is 50%. † Peer group data based on company documents, public filings, and websites. Comparison group of 15 projects based on large (2Moz P&P cut-off), North/South American gold-focused development projects.

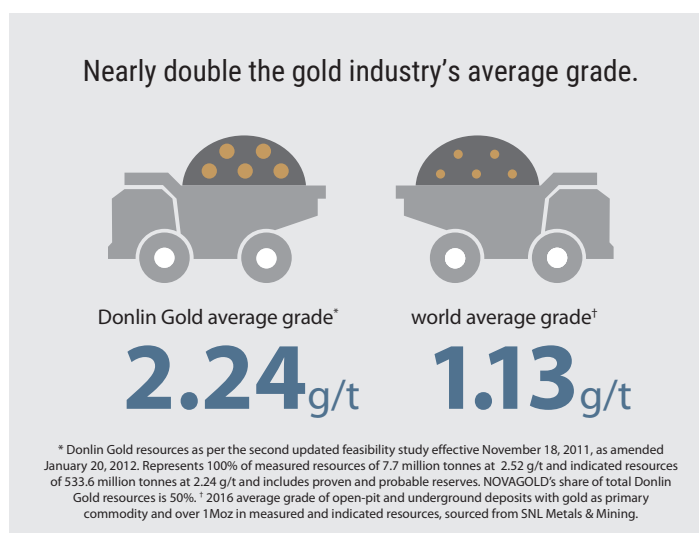
Donlin Gold is now in the final stretch of the permitting process; publication of the Environmental Impact Statement (EIS) – a key step in project permitting, which, for an asset such as Donlin Gold, constitutes a major undertaking – is expected shortly. It’s an accomplishment that represents a significant milestone that – as mandated by the National Environmental Policy Act (NEPA) – involves preparation of comprehensive documentation, multiple public forums, and receipt of a multitude of comments designed to ensure that no issue voiced by a broad range of stakeholders goes unaddressed. In early 2017, Donlin Gold responded to more than 100 requests for additional information from the U.S. Army Corps of Engineers (the “Corps”), the project’s lead federal permitting agency. Utilizing this information, the Corps was able to reply to the received comments on the draft EIS, refine possible alternatives, and identify potential mitigation measures to be included in the final EIS. The preliminary final EIS was completed and distributed to the cooperating agencies in July 2017. Subsequently, they completed their review, on schedule, in mid-September. The Corps is currently finishing its final internal review of the EIS, with an anticipated publication date of early 2018 to be followed by the issuance of a Record of Decision (ROD) later in the year.

Donlin Gold will be obtaining over 100 permits, most of which are to be issued by the State of Alaska. In parallel with the NEPA process, Donlin Gold submitted applications for key state permits resulting in the issuance of the air pollution control permit in June 2017, as well as the release by the state late last year of the draft water discharge and integrated waste management permits for public comment. Other important state and federal permits and approvals are expected to be issued shortly after the Corps’ ROD. The hard work by Donlin Gold and its owners’ professional teams is producing tangible results as permitting advances toward final agency actions in 2018.

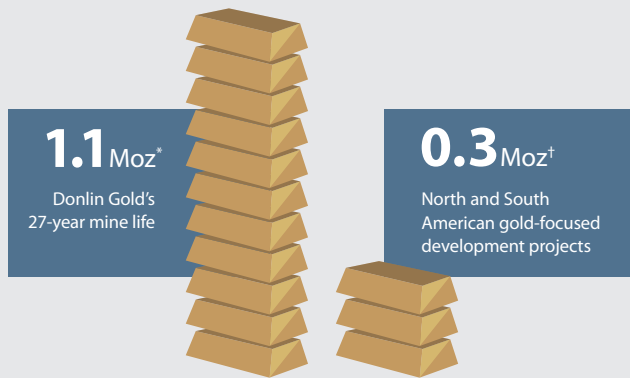
Donlin Gold is a truly unique project. Its endowment of approximately 39,000,000 ounces of gold resources in the measured and indicated category, along with its average grade of 2.2 grams per tonne, are in a category all by themselves. Moreover, with planned production averaging approximately 1,100,000 ounces of gold per year over its projected 27-year mine life and most likely beyond, considering the exploration potential that exists along an 8-kilometer gold mineralized belt (as per the 2011 second updated feasibility study), Donlin Gold represents an extraordinary project in our sector. Lastly – and very importantly – besides size, quality, and exploration potential, we never forget that Donlin Gold is located in Alaska, a state with gold production second only to Nevada and a culture that welcomes responsible mine development. In an age of extreme geopolitical uncertainty around the world, NOVAGOLD and its partner in the project, Barrick Gold, are truly blessed. On a personal level: Other than Barrick’s Goldstrike, which is now a mature mine, in a career spanning 40 years I have never come across any other project that shares these attributes.

In 2017, along with the significant achievements on the permitting front mentioned earlier, we made real progress in advancing our project optimization efforts. Launched in July 2017 by NOVAGOLD and Barrick, the drilling program – which included 16 core holes (7,040 meters) – has given us additional geochemical and structural data for portions of the deposit, which will further strengthen our understanding of the targeted mineralized zones. Assaying of the drill core is ongoing and will be incorporated into the optimization work, which will determine the best path forward for the project. Beyond evaluating enhancements to the project execution plan, we have also been assessing greater use of selective mining methods and investigating innovative technologies in logistics and automation. We were encouraged by these results. Such findings will contribute valuable data to complete our optimization work and help us elaborate an execution plan to develop Donlin Gold in the most cost-effective manner, while reducing execution risks and maintaining upside potential. We look forward to updating all of our stakeholders as our optimization efforts advance during 2018.

A discussion about the extraordinary progress we have achieved at Donlin Gold would not be complete without a special mention of our local partners – namely the Calista Corporation, owners of the project’s mineral rights, and The Kuskokwim Corporation (TKC), owners of the surface rights. In the context of the Alaska Native Claims Settlement Act (ANCSA), which provided twelve Alaska Native Regional Corporations the opportunity to select lands as partial



One of only six mines in the world slated to produce >1M ounces a year.



* Donlin Gold data as per the second updated feasibility study effective November 18, 2011, as amended January 20, 2012. Represents 100% of production of which NOVAGOLD's share is 50%. Projected annual gold production during full life of mine. † Peer group data based on company documents, public filings, and websites. Comparison group of 15 projects based on large (2Moz P&P cut-off), North/South American gold-focused development projects.

compensation for relinquishment of their aboriginal title claims, Calista selected the Donlin Gold mineral rights because of their known gold potential. TKC has also contributed valuable input to ensure that our development plan brings tangible, long-lasting benefits and responsible development to the region. ANCSA's vision was for Alaska's Native Corporations to realize the opportunity for self-determination through economic development of the lands selected for their natural resources potential – a vision Donlin Gold certainly embodies as one of the largest economic opportunities in the Yukon-Kuskokwim (Y-K) region. Together, with mutual support and involvement, we are building a foundation that will provide members of Calista and TKC, and their descendants, with the opportunity to thrive socially and economically, as well as support and maintain their subsistence way of life. As Donlin Gold continues to advance in its development, we will rise together.

Galore Creek is often only mentioned in passing, given our focus on advancing Donlin Gold, yet there is no denying that it effectively enjoys all of the key attributes that one finds in Donlin Gold: the size, scale, and quality; the jurisdictional appeal of being located in British Columbia; and the excellent partnerships required to successfully advance such an important project. Our belief that it will constitute one of the largest and lowest-cost copper mines in Canada reinforces our view that it will represent a very valuable asset to a potential developer. While we continue to evaluate opportunities to monetize our interest in the project – with our partner, Teck Resources – we are fortunate to have the flexibility to be patient sellers. The recent move in the price of copper is generating greater interest in the asset. When the time is right, we feel that Galore Creek will generate meaningful value for our shareholders.

We strongly believe that extensive engagement with all of our stakeholders is critical in ensuring our success. In that spirit, we went a step further in 2017 as members of our board of directors met with top institutional shareholders after the proxy season in order to gain greater insight into best practices in compensation and governance, as well as to initiate two-way communication to guide change as the company evolves.

With two exceptional assets located in top jurisdictions, I am more motivated and optimistic than ever that the year ahead will be pivotal for our company. We have a seasoned leadership team with us, and there is truly no aspect of the value chain that this group has not navigated successfully throughout their respective careers. For their outstanding contributions to NOVAGOLD's progress over the last year, my thanks go to my colleagues and our partners at Barrick and Teck, as well as the Native Corporations, local stakeholders, and government agencies with whom we have collaborated extensively. I also would like to thank our dedicated board of directors for providing us with much valued expertise and guidance every step of the way. Finally, I am sincerely grateful to our shareholders for their unwavering support and faith in the future of this great company.

Gregory A. Lang

president and CEO

February 12, 2018

LETTER TO SHAREHOLDERS



Dr. Thomas Kaplan | chairman, board of directors

Both my education and professional experiences in natural resources over the past two decades have convinced me of at least two things: that Fortune sometimes can have a wicked sense of humor, and that, while history may not quite repeat itself, it unquestionably rhymes on occasion. As one whose career has revolved around a fascination with, and big bets on, the rhythmic nature of human behavior and market cycles, I have made understanding these elements a key ingredient in an investment strategy that accepts, and indeed embraces, the belief that some fundamental truths don't change, even if the variables that coalesce into an investment case can gestate slowly. A corollary to this approach is that one should never get too emotional about an asset class. This includes commodities, the arena in which I have pursued my vocation. Having no formal training in engineering or geology that would bias my thinking toward following a path in industry or natural resources, I am active in the sector for a strictly utilitarian reason: because I believe I know how to make money in it. I am the first to admit that I experienced beginner's luck on my inaugural attempt at exploration, with silver in the 90s. And outrageously good fortune persisted in platinum and hydrocarbons. I was simply in the right place at the right time with the right assets. I reckon the same is taking place in precious metals again. My *buona fortuna* – not only in identifying exceptional assets to express a thesis, but also in finding exceptional colleagues who are at the top of their game in sourcing and developing these assets – is without a doubt more pronounced now than at any time in my career. *I don't make such a claim lightly.*

Having worked together for as long as two decades, my team and I have devised a method that seeks to distill our track record into something of a technique. The aim is to mitigate risk, even if that means more than our fair share of errors of omission, in order to focus on finding the category-killer plays that can reward us for our discernment but also offer the maximum returns. This implies the following: identifying the sector that we believe, from a top-down

standpoint, will make us tens of times our money if we are right; sourcing the category-killer assets with which to leverage that thesis – and provide the attributes that will deliver excellent returns even if the macro thesis takes time to unfold; and working with the smartest people who can not only brutally vet those assets but also have the courage to challenge every assumption about our strategy. To such quantitative and qualitative discipline, we would add the critical intangibles that underlie success in this space: patience and upholding a sense of conviction that allows one to withstand adversity – as well as the occasional agony of waiting for the revaluation of these assets. This approach has worked particularly well for us in the sphere of natural resources. Because we have had experiences of multiplying invested capital a hundred-fold following this model, the fact that our patience has been rewarded on occasion in silver, platinum, and hydrocarbons provides a serenity that is, admittedly, a luxury.

This serene luxury is a haven in and of itself. The world today is in uncharted waters in so many arenas – economic, social, and political – that any thoughtful analyst has to contend with anticipating a myriad of scenarios as he or she deploys capital. I for one believe that an asset that cuts through the noise very succinctly is gold. I fundamentally believe it is an asset that should do well if the world does well. It also will do well if the world doesn't do well. I normally prefer to focus on the sunnier of the propositions and eschew what I call the fear factors. It's always been my conviction that, if one can't justify a proposition using only Economics 101 – supply and demand – then the investment thesis should be treated with an arched eyebrow. That having been said, as the next leg in gold's bull market is likely to find its *ex post facto* rationale to be one or other of these fear factors, then I am willing to play along. And maybe I will even make a grudging nod to the argument as well.

Indeed, this past October, there appeared an elegantly written piece by Cameron Crise for Bloomberg entitled "Is Gold Really a Good Hedge?" The subtitle was itself telling: "Bloomberg's Macro Man columnist set out to test whether gold really offers protection against market turmoil. What he found was a bit of a surprise."

Let me quote directly:

Gold bugs point to a myriad of reasons to own their favorite metal, from fiat currency debasement to gold's history as a monetary unit. Among the favorites, however, is gold's utility as protection against a market or political crisis. In August, for example, Bridgewater Associates LP's Ray Dalio suggested investors should hold 5 percent to 10 percent of their portfolios in gold to hedge against rising political risks. I'm a macro strategist who writes Bloomberg's Macro Man

column, and I found myself wondering: Is gold really an effective hedge in periods of risk?

Spoiler alert for those who would rather Google the article and wait for the author's conclusion. For the rest of you I will cut to the end result, to which the author arrived after engaging in an objective as well as compelling analysis:

When I set out to do the analysis, my bias and expectation were to find that the putative relationship between gold and risk aversion was simply a myth. Yet the statistics appear to show a relationship, and anecdotal evidence supports the notion. Given the solid performance of a portfolio including gold and the chance that the comfort of owning some might prevent investors from panicking at the height of a crisis, I have to conclude that the notion of gold as a hedge against serious risk aversion is true.

The implication is that Ray Dalio, who is not only successful but arguably the most rational man in the room (and by that I mean *any* room) might be right in his firm's analysis. I am sincerely indebted to Mr. Crise for being willing to confess the unexpected outcome of his enquiry. Gold is so underappreciated at this moment that to mention it with anything less than derision, even while acknowledging its attributes, can be a career-killer. I adore such dissonance, as it has so often presaged great things for the markets we have targeted for capital allocation. Nonetheless, with investors fixated on short-term performance, I can feel the pain of those who do not have the luxury of a long-term approach, and thus cannot afford to be as cavalier as I am about the timing of an investment when my end goal is to multiply the capital many times over. Put another way, I believe that I have been in this movie before.

In the early 1990s, when silver was trading at \$3.50 per ounce (down from the \$50 high recorded during the Bunker Hunt episode), the prevailing sentiment was that silver was going to be disemboweled by the demise of silver halide film. Conventional wisdom was that it would fall in value to \$2 per ounce. Being fresh off the boat as a macro analyst, in my spare time I investigated this market and found it to be based on what I termed a myth. My analysis indeed suggested that, far from being slain by the demise of silver film, silver was going to shrug off the advent of the digital camera. Rather than falling to \$2, its price would move back to double digits and maybe even challenge the all-time highs in due course. So, driven by a giddy conviction about an emerging opportunity in silver, and being unable to identify a worthy asset to capitalize on the anticipated move,

I started my own company. Condensing a decade into a sentence, the team we assembled was able to discover a fabulously high-quality project – which today remains one of the world's largest and lowest-cost silver and zinc producers. I've glibly made it sound a tad easier than it really was. But that about sums it up. I should add that silver did not go to \$2, but in fact returned to \$50 for a moment and, I suspect, will do so again. But that story is for another time.

I applied a similar strategy to an investment in the energy sector. In the early 2000s, when oil was trading below \$20 per barrel and the market's view was that the price would fall to a normative \$12-15 per barrel, my analytical stance was that oil could easily rise to \$100 a barrel. To play this out, I created a new exploration company, Leor Energy, which I named after my two kids. Once again, we were able to identify a highly prospective asset and take it up the value chain. That asset was ultimately sold for more than \$2.5 billion in 2007, when oil was trading well north of \$100 per barrel. When we followed this act by pivoting to gold, it was trading at \$650 an ounce or so. I should add that the dollar was trading at \$1.45 to the euro. That's worth noting. Oil was much higher than it is today. And the dollar is stronger. And yet gold has doubled. It makes one wonder about certain myths – such as gold being just a commodity and that it needs a weak dollar to do well. I would not belabor the point that inflation – which is often considered a prerequisite for strong gold prices – has not been in evidence this past decade. And yet gold has doubled.

I believe that our secret to realizing substantial returns from these two investments lies in the fact that we were able to identify a sector with fundamentals ripe for a major upside move, hitching our bets to the best vehicle of choice, partnering with the best management team in the business, and executing the strategy of taking the assets up the value chain to fully capitalize on the move in the sector. Our returns in silver and energy were more than 100 times our investment.

Now, we see gold through the same prism as we saw silver and energy: unloved by investors, yet with the potential to generate killer returns when a bullish sentiment returns to the sector. In gold, our vehicle of choice is NOVAGOLD, a company with two unique assets located in the best jurisdictions. It has a top-notch management team with an unparalleled track record of making things happen and doing them right. To us, NOVAGOLD is the right story at the right time. It represents a once-in-a-lifetime opportunity to make the very lowest-risk/highest-reward trade in gold. For as extraordinary as the assets were that we discovered or came to control over the last two decades, none was actually in our view *unique*. As a consequence, this vehicle has the potential to outperform them all.

To see why, let's look at gold first. In his Fourth Quarter 2017

Investor Letter, the dean of institutional gold investing, John Hathaway, Tocqueville's Senior Portfolio Manager, outlined a compelling case for investing in gold now by looking at the following nine fundamental factors which obviously don't include any of the bevy of black swans that might alight upon our current geo-political reality:

1. The Extreme Valuations of Financial Market Assets That gold should be viewed "as cheap insurance on a possible significant retreat from current valuation extremes."

2. The Worsening U.S. Fiscal Position With the implementation of the new tax bill, according to the Tax Foundation, "the average annual loss of revenue over 10 years would be \$147 billion on a static basis and \$45 billion on a dynamic basis," an environment highly conducive to Quantitative Easing.

3. Rising Inflation The addition of stimuli, such as tax cuts, when the economy is already running at full steam, creates an environment for rising labor costs and a consequent rise in inflation.

4. A Precarious Financial Market Structure In the current environment of passive investing and machine-driven trading, there is a strong possibility that even a small downside correction could cause a large-scale capital flight from equities, which would cause capital-seeking safe havens to go to gold.

5. A Bullish Supply and Demand Outlook for Physical Gold With very few discoveries of any consequence over the last decade, the gold industry can't sustain its current production levels to meet the growing global demand. Major producers are in the most precarious position, as they are dealing with projected natural declines in their mature mines.

[I shall elaborate more fully why this factor is particularly important – it is indeed my favorite one – when we consider NOVAGOLD as a vehicle of choice to deliver extraordinary returns to its stakeholders.]

6. An Expected Further Weakening of the U.S. Dollar The expected increased inflation and fiscal deficit should create an environment conducive to a weaker dollar, which investors see as traditionally producing higher gold prices.

7. Gold as an Ideal Portfolio Diversifier and Risk Dampener An allocation to gold has been known to be a prudent strategy to reduce downside exposure during periods of market stress. For example, it has been demonstrated that a 10% allocation to physical metal employed since 1987 would have resulted in substantial outperformance vs. a traditional 60%/40% equity/Treasury allocation.

8. A Boost from Bitcoin In a recent interview, legendary investor Warren Buffet called cryptocurrencies, of which Bitcoin is one, a mirage. "The idea that it has some huge intrinsic value is just a joke," he said.

[My only observation about Bitcoin is that the explosion of interest in cryptocurrencies, rather than undermining gold, is pointing to what will happen to the gold price when it starts to move. What changed to make Bitcoin go from the perception that it's a fraud to an asset class? The price went up. Trite as that sounds, it is a classic phenomenon: What is cheap must be cheap because it should be, and will remain so – and what is dear must be valuable, and will only get more so.]

9. A Brief Comment on Gold Mining Shares Quality gold mining shares have traditionally performed better than bullion. The question is, what is the meaning of "quality gold mining shares"?

Clearly, for the purposes of our Annual Report, this last point is where the rubber hits the road. In my opinion, "quality gold mining shares" signifies equity in a gold mining company that owns assets that can be characterized by the following: a very large gold endowment that cannot be ignored; a high-grade deposit; a move-the-needle production profile that anyone would want to own; strong exploration upside; stable geopolitical location(s); a long-lived production profile requiring no replacement for many years to come; and a highly professional, ethical, shareholder-friendly management team with a well-established track record of successfully building and operating major mines. Not surprisingly, I just described NOVAGOLD, whose 50%-owned flagship Donlin Gold project in fact enjoys all of these attributes. In today's asset-starved gold industry, Donlin Gold is a category killer asset with attributes that, if it weren't backed by 1,396 drill holes, multiple feasibility studies, extensive engagement with our partners and local stakeholders, and funding to execute on its strategy – all of which have substantially de-risked the project over the last two decades – one might consider it a fantasy. Let's tally up the boxes that Donlin checks in a way that, certainly in the aggregate, renders it unique in our eyes:

- ▶ An extraordinary 39 million ounces of gold in the measured and indicated resource categories alone (100% basis), not including the inferred in proximity to the pit.
- ▶ With the present endowment contained within only 3 km out of an 8-kilometer-long mineralized trend, there is ample opportunity to discover more substantial gold outside of the future mine's footprint. The industry needs discoveries, and I for one personally believe that the next Donlin will actually be found at Donlin Gold.

- ▶ While the quality of the gold grade has reduced by half in the last decade – and is continuing to fall – the average grade at Donlin Gold is 2.2 grams per tonne, and could commence production even higher than that.
- ▶ At a time when the gold industry can't sustain current production levels – let alone replace its depleting reserves or meet the growing global demand – when in production according to the feasibility study, it would be the largest, and one of the lowest-cost, pure-gold-producing mines *in the world*.
- ▶ Donlin Gold is located in the *right* part of the world. The State of Alaska, already the country's second largest gold producer, is a state that welcomes responsible resource development within the rare mining jurisdiction that scrupulously adheres to the rule of law – a decisive investment criterion when seen against the backdrop of jurisdictional risk which has so altered how the market views investment opportunities on the frontier.
- ▶ Company-making mines have a long life. Once built, the mine is expected to operate for 27 years, and, considering its superb exploration potential, likely for many years beyond that.
- ▶ The project's stakeholders – from Native Corporations to project partners Barrick Gold and NOVAGOLD to state and federal agencies – are perfectly aligned to ensure that Donlin Gold is built to the highest standard of safety and environmental stewardship.
- ▶ At a time when it takes, on average, more than 20 years to go from discovery to production, our project is in the advanced stages of the permitting process, which will allow the partners to be in the ready mode for development once macro-economic conditions are optimal for its stakeholders.
- ▶ Project optimization efforts are well underway to ensure that all stakeholders' resources are efficiently and effectively utilized when the project is constructed.
- ▶ The project is managed by a highly experienced team of professionals led by Greg Lang, one of the best mine builders and operators in the world.

While the above attributes aptly describe Donlin Gold, our flagship asset, a very similar case can be made for Galore Creek, our major copper-gold-silver project, which NOVAGOLD owns 50/50 with Teck Resources, one of the most respected diversified mining companies in the world. Once this valuable asset becomes a mine, it is expected to constitute the largest and most modern copper mine in Canada. And, just like Donlin Gold, this project has been

steadily advancing up the value chain and stands in an exceptional position to benefit from the recent escalation in the price of copper, as battery technology gains more and more ground in electric car applications worldwide. While we would very much welcome staying involved with this incredible venture, a company-maker in its own right, we recognize that an entity of the size of NOVAGOLD has to allocate its resources sparingly to make sure that shareholder value is not compromised. Hence, we will continue to work on prudently monetizing our interest in Galore Creek and apply the proceeds toward advancement of Donlin Gold. This represents the most shareholder-friendly strategy we believe we can pursue.

2018 should be a momentous year for NOVAGOLD. We are well within a year of securing necessary permits for Donlin Gold, one of the most significant gold projects of our time. In addition, our joint optimization efforts with Barrick are likely to yield enhanced value possibilities that should streamline project parameters and potentially improve its economics. That means that any positive development in the macro-economic environment for gold could produce what we call a perfect storm for all of our stakeholders. I happen to be more bullish about that occurring than ever before.

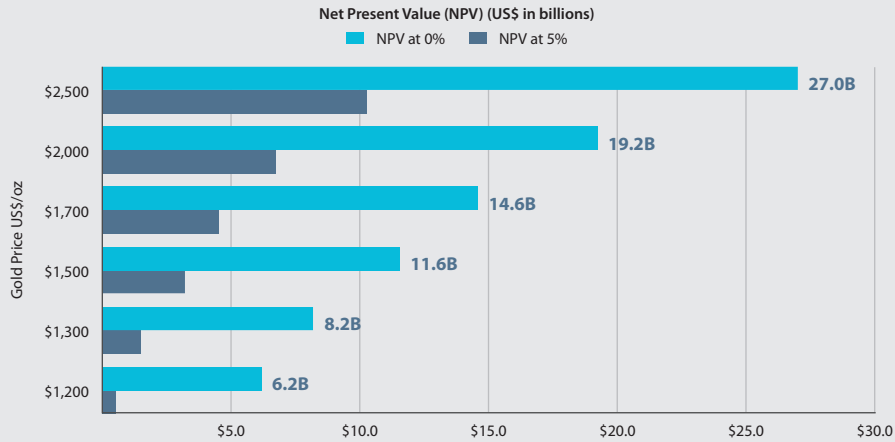
As chairman and largest shareholder of NOVAGOLD, I am extremely proud of this company's accomplishments. For me, it's been a remarkable 10-year journey of value-building. As we approach our important milestones, it is exciting to realize that we have the opportunity to unlock tremendous value for all of our stakeholders. On a personal level, I look forward to that because I am convinced that the rewards I received from my past investments in silver, energy, and platinum were in many ways a rehearsal for the main event: Donlin Gold.

In conclusion, on behalf of the board of directors, I would like to extend our sincere thanks to all of our stakeholders, including the many fine financial institutions that have become shareholders of this great company. In addition, I wish to convey our profound appreciation to our partners, Barrick and Teck, as well as the Native Corporations and First Nations of the jurisdictions where we have been operating for many years. I would also like to give a well-deserved tribute to the representatives of all various levels of government for their efforts to ensure that we do things right. Finally, I wish to express my heartfelt gratitude to the extended family of NOVAGOLD employees, as well as Donlin Gold and Galore Creek employees, for their hard work and commitment to excellence in everything we do. I feel truly blessed to be in their midst.



Dr. Thomas Kaplan
 chairman, board of directors
 February 12, 2018

Donlin Gold's upside value with higher gold prices.



Donlin Gold estimates as per the second updated feasibility study effective November 18, 2011, as amended January 20, 2012. All dollar figures are in USD, represent 100% of the project of which NOVAGOLD's share is 50%, and reflect after-tax net present value (at a 0% and 5% discount rates) of the Donlin Gold project using the feasibility study reference date of 1/1/2014 (start of Year -05) as the first year of discounting. Estimated project development costs of approximately \$172M to be spent prior to the reference date are treated as sunk costs. At a 5% discount rate, the net present value is: \$547M @ \$1,200 gold; \$1,465M @ \$1,300 gold; \$3,147M @ \$1,500 gold; \$4,581M @ \$1,700 gold; \$6,722M @ \$2,000 gold; and \$10,243M @ \$2,500 gold. The project requires a gold price of approximately \$902 per ounce to break even on a cash flow basis.

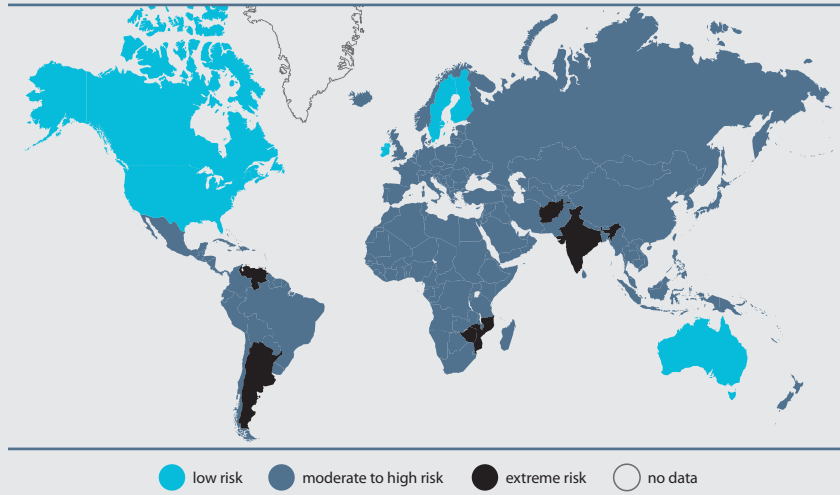
Extensive experience in building and operating large-scale gold assets.

Chairman of the Board	29
President & CEO	39
Executive Vice President & General Counsel	30
Vice President & Chief Financial Officer	30
Vice President, Corporate Communications	24
Vice President, Environment, Health, Safety & Sustainability	33
Vice President, Engineering & Development	34

219
YEARS

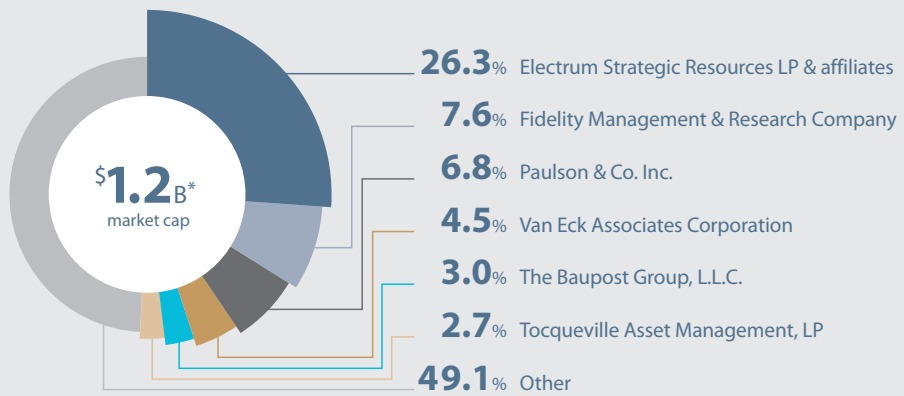
Kongiganak is a coastal village situated on the Kuskokwim Bay, west of the mouth of the Kuskokwim River.

Leverage in a place where you can keep the rewards.



Source: Fraser Institute Annual Survey of Mining Companies 2016, Investment Attractiveness Index

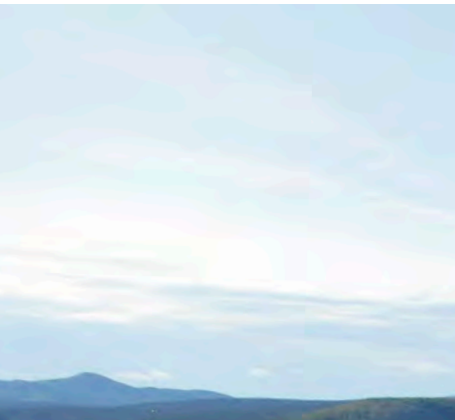
Long-term shareholders who understand and share our investment thesis.



* Market Capitalization based on 322.3 million shares issued and outstanding and NOVAGOLD share price of \$3.97 as of January 17, 2018. Shareholder positions are based on the latest 13-F filings.

“Donlin Gold’s size, grade, production profile, mine life, community support, exploration potential, and jurisdictional safety render it a unique asset in the gold industry.”

Gregory A. Lang | president and CEO, NOVAGOLD



Located in the Yukon-Kuskokwim region of western Alaska, Donlin Gold is one of the largest known undeveloped gold deposits in the world.

1

Donlin Gold: A Pacesetter for the Gold Industry

Q What makes the Donlin Gold project so unique among other large undeveloped projects?

A Donlin Gold is one of the world's largest known undeveloped gold deposits. What really sets it apart from similar projects is its endowment of 39 million ounces of gold resources in the measured and indicated category, inclusive of proven and probable reserves, with an average grade of 2.2 grams per tonne. These are significant numbers, which place Donlin Gold well within the top 1% of known global gold deposits in terms of size – and, at double the industry average grade, it is one of the highest-grade open-pit gold deposits in the world. In today's mining industry, this kind of quality counts.

The second updated feasibility study filed in 2011 demonstrated that, as envisioned, Donlin Gold should emerge as one of the largest gold-producing mines in the world, averaging approximately 1,100,000 ounces per year over its 27-year life. And that's assuming no more higher-grade resources are found – or any additional discoveries at all, for that matter.

This is a resource that's *four times* the size of its peer group average,* at a time when large gold deposits are critical for the sustainability of the gold industry – and when a scarcity of quality assets is further intensified by long development timelines. In fact, the average time from discovery to production can be more than 20 years due to increasingly complex regulations and more remote mineral deposits, both of which make for more complicated projects.

Over its anticipated 27-year life, Donlin Gold's cost of sales, excluding depreciation and reclamation costs, are estimated to be \$634 per ounce.† All-in sustaining costs, which add sustaining capital expenditures, corporate administration, and reclamation, are expected to be \$735 per ounce.** This is very favorable in today's world, and, as these numbers are a function of Donlin Gold having such enormous reserves with excellent grade, is yet another example of why size and quality matter.

* Peer group data based on company documents, public filings and websites. Comparison group of 15 projects based on large (2Moz P&P cut off), North/South American gold-focused development projects.

† Costs are unescalated and based on the 2011 Donlin Gold Second Updated Feasibility Study.

** All-in sustaining costs were calculated with figures from the 2011 Donlin Gold Second Updated Feasibility Study and projected NOVAGOLD corporate administrative costs.

What's more, the project enjoys broad support, including from Calista and TKC, our Alaska Native Corporation stakeholders who own Donlin Gold's mineral and surface rights. Our well-established track record of social engagement and environmental stewardship in the community is a huge plus. That's not something you see every day, and we're proud of it.

To recap: Donlin Gold has size and extraordinary grade, industry-leading projected output, a low-cost structure, a company-making mine life, excellent exploration upside, strong local partnerships, jurisdictional safety, and leverage to rising gold prices in a strong gold environment. It's a truly unique and attractive gold deposit in an era defined by asset scarcity. Finally, Donlin Gold is well-advanced in the permitting process, and is positioning itself to be ready to construct when market sentiment supports the building of a new major gold mine.

Q How should we think about upside potential for the gold prospects in the district: additional reserves or longer life?

A Donlin Gold's resource was defined with almost 1,400 drill holes totaling more than 339,000 meters. During the years of more active exploration from 2006 to 2011, the measured and indicated resources grew by 135%. In addition to its already large mineral endowment, Donlin Gold has excellent exploration potential along an 8-kilometer gold mineralized belt, with the opportunity to expand the current open-pit resource both along strike and at depth. The current pit occupies only a 3-kilometer portion of this mineralized belt, leaving good prospects for future discoveries.

Once in operation, NOVAGOLD anticipates partners will conduct more extensive exploration of the prospects outside of the current mine footprint, such as Snow, Quartz, Dome, and Ophir. In our view, it is likely that Donlin Gold's mine life, already measured in decades, or ultimate production profile – or both – easily could be greater than currently anticipated. The next major gold discovery may just be at Donlin Gold.

2

Working in Alaska, Donlin Gold Permitting, and Our 2017 Drill Program

Q What benefits are there to operating in Alaska?

A The fact that Donlin Gold is located in America's second-largest gold-producing state, on private lands already designated for mining and owned by supportive Alaska Native Corporations, is another distinguishing feature of the project. It gives NOVAGOLD a tremendous competitive advantage during a time when heightened resource nationalism and jurisdictional uncertainty are among the most significant factors negatively affecting shareholder value for natural resource companies.

The timing for Alaska is likewise fortuitous. In 2016, the state lost around 6,800 jobs – and the expectation for 2017 is the loss of another 7,500. The oil and gas sector alone lost 20% of its jobs in 2016 as oil prices dropped below \$40 a barrel; the industry is expected to lose another 10% in 2017. As a result, Alaska's unemployment rate is now the highest in the U.S. at 6.8%;* and in the Y-K region, the rate is even higher. Given the remote nature of the villages in the region and lack of economic development potential, Donlin Gold offers a unique opportunity to realize the promise of ANCSA.

Because oil drives Alaska's budget (it's the only state with neither an income tax nor a general sales tax), state revenues are down more than 80 percent – and the annual deficit is at \$2.9 billion. Adjusted for inflation and population, the 2017 budget is the lowest it's been in 10 years. For the past four years, Alaska financed its deficit by spending

savings from the state's Constitutional Budget Reserve – something that may not be possible for the next fiscal year.

Long-term decline in Alaska oil production and a deep slump in world oil prices over the last two years continue to create major challenges for Alaska's economy. Other challenges include the harsh climate, a lack of infrastructure, and geographic cost differences – all of which have led the state to strongly support the further development of its resource industry. A new oil tax structure was adopted in 2013 to encourage further investment; the Alaska Exploration Incentive Credit Program offers up to a \$20 million deduction over a 15-year period for new mines; the Roads to Resources Program (R2R) encourages transportation initiatives to support the development of natural resources; and the state is actively working with companies to facilitate cost-effective access to various projects and operations across Alaska.

Natural resource projects are integral to the state's economy. A well-defined permitting process, strong resource-sector associations, and time-tested community support have enabled the development of four large precious metals mines, one coal mine, and one base metals mine. Production from the numerous small-scale placer mines, typically family-operated, essentially amounts to a fifth large precious metal mine. Donlin Gold is poised to be the first of the next generation of large, long-life mines that will contribute to Alaska's future.

Q Where are you with the Donlin Gold permitting process?

A The permitting process in the United States is rigorous, and rightly so. As such, the Donlin Gold project permitting has been thorough, transparent, inclusive, and thoughtful. It is the very reasonable price we pay for having security of tenure in one of the world's safest jurisdictions.

As managers of a valuable piece of real estate with a significant mineral endowment, we are the most supportive advocates of the government agencies that are our counterparts in this process. We know that the more comprehensive the work done on the front end, the better the outcome for all stakeholders in Donlin Gold. We are encouraged by our progress in providing all agencies and the public with ample time and opportunity to thoroughly review, as well as to provide meaningful input into, the permitting process. Donlin Gold has made a focused effort for the past 20-plus years to collect

Local hire is a key priority.

During our 2017 drill program, approximately 50 percent of Donlin Gold's workforce were Alaska Natives.



* Press release issued July 21, 2017 by the State of Alaska Department of Labor and Workforce, <http://labor.alaska.gov/news/2017/news17-32.pdf>

comprehensive environmental baseline data and lay the groundwork with local and regulatory stakeholders for the success of the project. In 2017, activities were focused on advancing the final EIS.

Throughout each stage of project development – and more recently during the EIS and permitting process – the Donlin Gold project plan has continued to evolve to address concerns that have been raised by the residents of the Y-K region. The EIS process, which commenced in 2012 and is led by the Corps, has informed the public of Donlin Gold’s proposed development plan and provided them with multiple opportunities to participate and comment at various times during the process. The Corps completed and distributed the preliminary final EIS in July for review by the cooperating agencies, who submitted their input back to the Corps in mid-September.

Donlin Gold continued to support this process by providing requested information to the Corps and cooperating agencies. The final EIS is anticipated to be published in early 2018, followed by the issuance of an ROD in the second half of 2018. Other major state permits continue their advancement and are scheduled to be finalized concurrently with the Corps’ ROD or shortly thereafter. Notably, the prevention of significant deterioration permit was issued by the Alaska Department of Environmental Conservation, Division of Air Quality on June 30, 2017 and the draft water discharge and integrated waste management permits were released for a 60-day public comment period at the end of 2017. We are committed to continuing to achieve these key project permitting milestones in 2018.

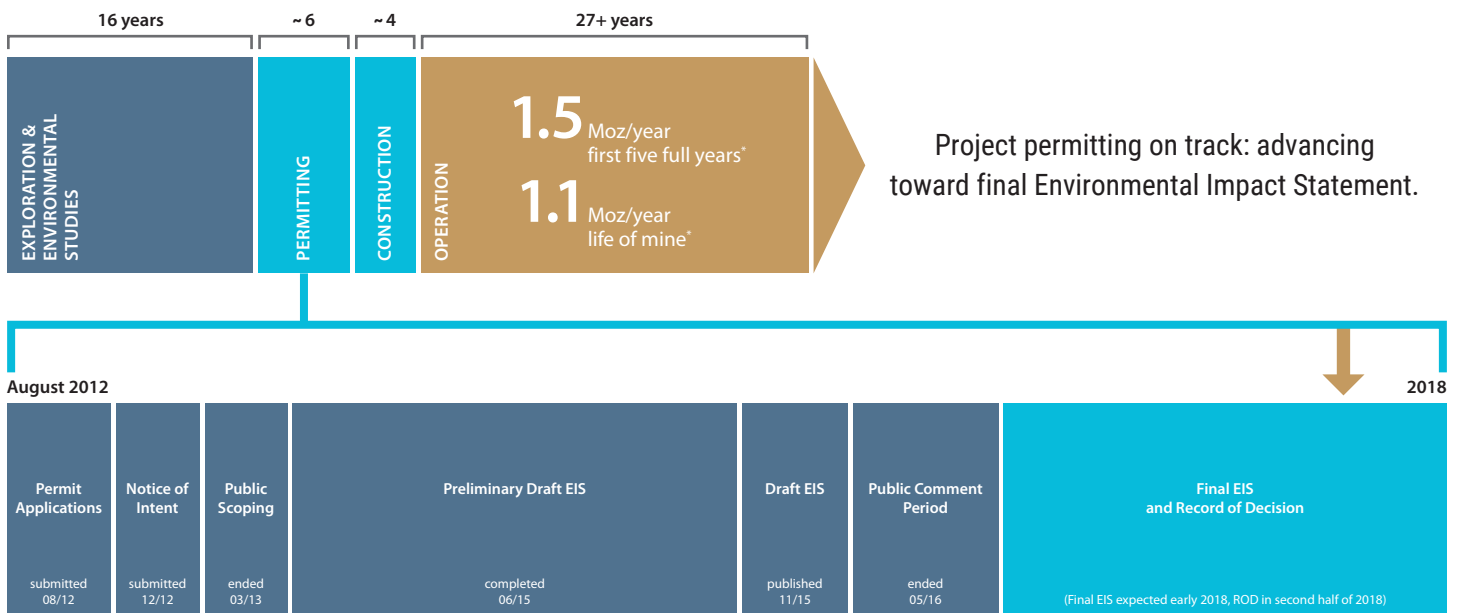
Q What’s the status of the Donlin Gold drill program?

A As we approach the end of the project’s EIS and permitting process, both partners continue to advance Donlin Gold with technical rigor, financial discipline, and a focus on further improving the project’s value and minimizing initial capital costs. We are evaluating enhancements to the project execution plan, assessing greater use of selective mining methods, examining innovative technologies in logistics and automation, and investigating potential third-party participation in infrastructure development.

As part of this shared mindset to enhance value and build optionality – to truly realize the extraordinary potential of Donlin Gold – we’ve performed important optimization work to ensure that the deposit can be mined and processed in an operationally sound and economically efficient manner.

Donlin Gold conducted a drill program between July and November 2017, consisting of 16 core holes and 7,040 meters. The focus of the program was to gather additional geochemical and structural data in targeted portions of the deposit, and further strengthen our understanding of the targeted mineralized zones. The results will contribute valuable data to advance our optimization work. We believe that the approved field work will reaffirm Donlin Gold’s status as the asset best positioned to capitalize on the resumption of the long-term bull market in gold.

The advancement of the optimization work with our partner Barrick Gold and an external engineering firm also led to the exploration of a strategy of employing more selective mining practices to increase mined grade.



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

Collected data from the 2017 drill program will provide valuable information for ongoing optimization work at Donlin Gold.



3

Galore Creek: A Company-Making Asset

Q What's the potential for Galore Creek?

A Due to our focus on Donlin Gold, Galore Creek has often been given too cursory a glance. It's a great asset, which is why each owner has invested greater than \$300 million in the project. Like Donlin Gold, Galore Creek enjoys tremendous size and grade. A significant copper-gold-silver asset, it has the potential to be one of the largest, highest-quality, lowest-cost copper producers in Canada – one of the world's safest jurisdictions.

Offering tremendous upside potential with higher copper prices, the project has positive returns that increase significantly with rising copper prices, making it a very valuable asset to a potential developer; a high-quality company-maker in its own right. Although we continue to evaluate opportunities to monetize our interest in the Galore Creek project to support development of Donlin Gold, we are fortunate to have the flexibility to continue to enhance the value of the asset with minimal spending.

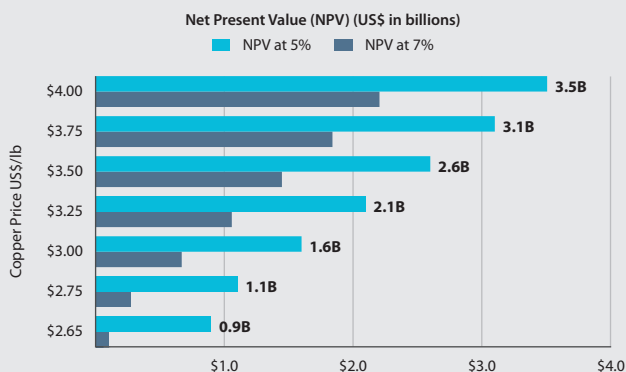
Since our focus remains on advancing Donlin Gold, we remain committed to selling all or part of our 50% interest in the Galore Creek Partnership. Our partner, Teck, has a right of first refusal with respect to a sale by NOVAGOLD of its interest. Ultimately, we believe that Galore Creek will realize material value for our shareholders.

Q What copper price would you need before market participants take interest in the project?

A The 2011 Galore Creek pre-feasibility study envisions a facility operating at a nominal 95,000 tonne-per day capacity – and forecasts production of more than 6 billion pounds of copper, nearly 4 million ounces of gold, and almost 66 million ounces of silver over an approximate 18-year mine life. Cash costs are forecast to average approximately C\$0.80 per pound of payable copper, net of byproduct credits (at metal price assumptions of US\$2.65/lb. copper, US\$1,100/oz. gold, and US\$18.50/oz. silver).

With Teck, we continue to work on technical studies in project mine planning and design, as well as waste rock and water management. We expect these efforts to further improve the value and marketability of the project. In today's higher copper price environment, there is renewed interest in Galore Creek, a project that is now receiving the attention that it deserves as an incredibly valuable polymetallic deposit in British Columbia with the potential to be a core asset for any mining company. Our shareholders will benefit from improved copper market conditions, as the value realized from disposition of all or part of our 50% interest in Galore Creek will help strengthen our cash position and contribute toward the development of Donlin Gold.

Galore Creek's upside potential with higher copper prices.



Galore Creek estimates as per the pre-feasibility study effective September 12, 2011. All dollar figures are in USD, represent 100% of the project of which NOVAGOLD's share is 50%, and reflect after-tax net present value (at a 7% and 5% discount rates) of the Galore Creek project using a foreign exchange rate of 0.90 USD/CAD and assuming gold at US\$1,100/oz, silver at US\$18.50/oz. At a 7% discount rate, the net present value is: \$124M @ \$2.65 copper; \$285M @ \$2.75 copper; \$679M @ \$3.00 copper; \$1,067M @ \$3.25 copper; \$1,452M @ \$3.50 copper; \$1,837M @ \$3.75 copper; \$2,217M @ \$4.00 copper.

“As a mine that focuses on environmental responsibility, meaningful dialogue with communities, job opportunities and economic stimulus for one of the poorest regions in the entire state, Donlin Gold has TKC’s full support.”

Maver Carey | president and CEO, The Kuskokwim Corporation



Throughout Donlin Gold’s estimated 27-year mine life, a variety of positions will be created for the region’s residents.

VALUE-ENHANCING STRATEGY: ALIGNMENT WITH OUR PARTNERS, SHAREHOLDERS, AND STAKEHOLDERS

More than 10 years ago, NOVAGOLD partnered with two senior producers: with Barrick Gold to form Donlin Gold LLC to oversee development of the Donlin Gold project, and with Teck Resources to form the Galore Creek Partnership to develop the Galore Creek copper-gold-silver project. Barrick is one of the world's largest gold mining companies, bringing project development, construction, and operations experience to Donlin Gold; Teck is Canada's largest diversified mining, mineral processing, and metallurgical company – and is one of the world's largest base metal producers.

These are true 50/50 partnerships, with each company bringing its strengths and expertise to the table. We also share like-minded values with an emphasis on strong sustainability and community engagement principles. Working together, each of us brings different yet complementary skills to both Donlin Gold and Galore Creek.

Because acceptance and support for mining projects must be earned, NOVAGOLD approached local communities around both projects before beginning any exploration work, not only to inform the respective stakeholders of our interests and plans, but also – and perhaps more important – to solicit feedback. Taking it a step further, for Donlin Gold, as part of ANCSA, two Alaska Native Corporations, Calista and TKC, who have the mineral and surface rights, respectively, entrusted Donlin Gold LLC to further explore and develop the land they selected under ANCSA because of its gold mineral potential.

ANCSA came into effect in 1971 and was intended to resolve long-standing issues surrounding aboriginal land claims in Alaska, as well as to stimulate economic development throughout the state. The settlement provided twelve Alaska Native Regional Corporations the opportunity to select lands that were traditionally used for subsistence purposes – yet known to be valuable for natural resources – as partial compensation for relinquishment of their aboriginal title claims.

More than 200 local Village Corporations were given the opportunity to own the surface of the lands selected by the Regional Corporations. Calista selected the Donlin Gold mineral rights because of its known gold potential; TKC, formed with the merger of 10 Village Corporations, owns the surface rights. Individuals residing in defined regions and villages when ANCSA was enacted became shareholders in these corporations based on their residence and native heritage. Shares can be transferred or gifted by individuals to descendants;

some corporations have adopted structures which allow the issuance of new shares to descendants.

Projects like Donlin Gold – those that are owned by ANCSA Corporations – allow Native Alaskans to realize unique opportunities for self-determination through regional economic development. Moreover, under ANCSA, Regional Corporations must share 70% of their profits from natural resource development on selected lands with the *other* Regional Corporations, who in turn must share a portion of this revenue with the Village Corporations in their regions. In essence, approximately 50% of Alaska's voting population stands to directly benefit from the success of the Donlin Gold project.

Calista and TKC have an owner's interest in the development of their selected lands to support the economic prosperity of their shareholders. Benefits include royalties, shareholder employment opportunities, scholarships and other investments in shareholder education and training, contracting preferences to Calista and TKC-owned businesses, and both direct and indirect benefits to other local businesses in the Y-K region. Life of mine agreements are in place with both Calista and TKC, who are advocates of Donlin Gold, and who have remained engaged in outreach to local communities.

NOVAGOLD is actively involved in bringing tangible, long-lasting benefits to all of our community partners as our projects advance through development. It's a strategy that focuses on education and safety and health programs, with a particular focus on the needs of Alaska Native and First Nations youth. We support initiatives most relevant to community needs, connecting in ways that will help them grow and prosper: training and employment opportunities, service business contracts, and participation agreements that ensure these communities benefit financially and socially.

At Galore Creek, NOVAGOLD entered into a comprehensive

participation agreement with the Tahltan Nation to ensure collaboration for mine planning and operation, as well as environmental protection. The Tahltan people have occupied their territories around the upper reaches of the Stikine River in northwestern British Columbia for millennia. The Tahltan Central Government (TCG) is the central administrative governing body for the Iskut Band and Tahltan Band in Telegraph Creek. It represents approximately 5,000 members of the Tahltan Nation living on and off the traditional territory.

Donlin Gold's two-decades long commitment to transparent and mutually beneficial relationships with Calista and TKC, as well as with the broader stakeholders in the Y-K region, demonstrates the value of working collaboratively for the development and prosperity of the entire region.

Part of the reason Donlin Gold's relationship with local communities is so strong is that they are already enjoying tangible benefits from the project. Since exploration began in 1996, residents have been employed in a variety of roles, comprising as much as 90 percent of the workforce at the Donlin Gold camp during the peak of exploration. Through Donlin Gold's support of scholarships for Calista and TKC youth, sponsorship of academic and trades fairs, and leadership in development of the Alaska Miners Association's Mining Workforce Development Plan, NOVAGOLD is building a foundation that will provide Calista and TKC shareholders and their descendants with the opportunity to thrive as Donlin Gold prospers, while supporting and maintaining their subsistence way of life.

We continue to invest our time and resources into the communities where NOVAGOLD operates. This activity is fundamental to our core values and culture. Throughout the summer months of 2017, Donlin Gold's project team was busy meeting with surrounding communities at multiple traditional village council meetings, regional tribal gatherings, and village visits across the Y-K region. Site tours at Donlin Gold provided key stakeholder representatives an opportunity to see the project firsthand, ask questions, and interact with those working at camp. NOVAGOLD is an active participant and supporter of these important endeavors. Donlin Gold also worked closely with both Calista and TKC to facilitate and execute all outreach initiatives.

As part of our workforce development initiatives, meetings were held with the Lower Kuskokwim School District counselors to discuss Donlin Gold's status and student outreach opportunities. Donlin Gold also attended and helped to organize job fairs in Bethel, one of which was the Career and Training Fair, which provided an opportunity for representatives from approximately 100 businesses to talk about available jobs and internships in the region.

Meanwhile, NOVAGOLD continues to hire locally for on-site activities. The workforce for the 2017 drill program at Donlin Gold comprised 50% local Y-K residents, including four recent high school graduates from Scammon Bay, Hooper Bay, Marshal, and Pilot Point who attended last spring's Mining and Petroleum Training Service program in Delta Junction. And the site team at Galore Creek for our 2017 care and maintenance program comprised 50% Tahltan employees.

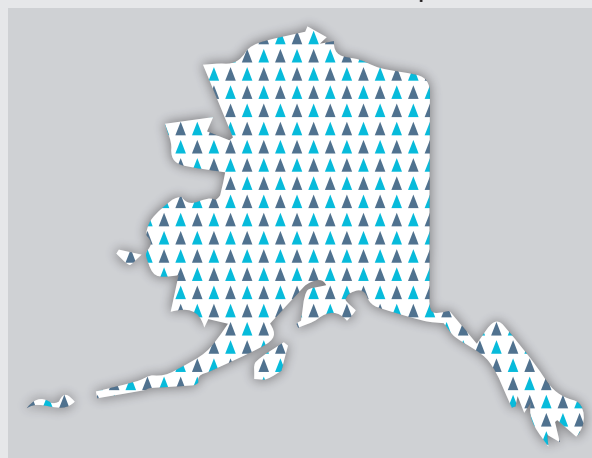
The annual Tahltan Literacy Camps incorporate storytelling, singing, and traditional games such as stick gambling to encourage language learning.

Donlin Gold sponsored a number of sporting events in the Y-K region and, as a premier sponsor of the Iron Dog Race – the world's longest snowmobile race – hosted the Donlin Gold Safety Expo, where a pre-race inspection of racers' safety and survival gear was conducted. In March, Donlin Gold was a returning Principal Partner Sponsor of the 45th Iditarod Trail Sled Dog Race. Congratulations to all of the mushers who participated this year, with special recognition to Pete Kaiser, who is from the region near the Donlin Gold project and finished in ninth place.

Donlin Gold also assisted with the purchase of equipment for a tribal project called "Arrive Alive" that promotes winter safety on the Kuskokwim River. They supported Aniak's 4th Annual Academic Decathlon and Career Fair that provides skill-development workshops for students in grades 7–12. Two other important initiatives were the Y-K region's annual "Clean Up Green Up" that encourages communities to pick up waste that accumulated over the winter months, as well as the "Kids Don't Float" and "Alaska Boating Safety" campaigns for promoting summer safety.

And in northern British Columbia, NOVAGOLD continues to sponsor and participate in a number of Tahltan community initiatives. The Galore Creek Partnership again sponsored the Tahltan Literacy/Cultural Camps, helping youth explore their culture while fostering a love of reading, as well as awarding annual bursaries for Tahltan First Nation members pursuing post-secondary education and accredited skills programs.

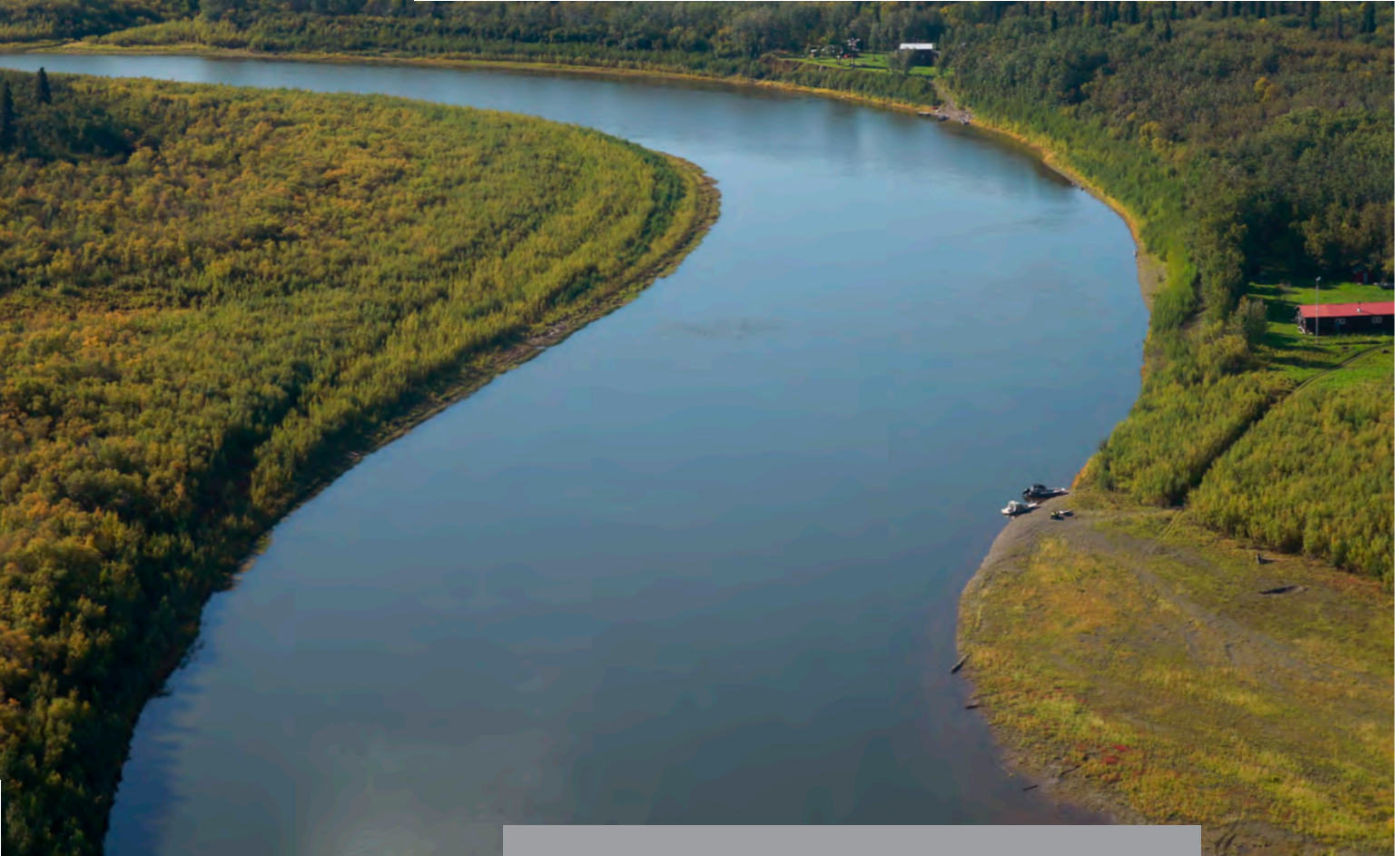
>50% of Alaska's voting population would financially benefit from Donlin Gold as shareholders of Native Corporations.





“When discussing socio-economics and subsistence, many split the two subjects. However, the people of the land are those best qualified to speak on subsistence. They know the topics of socio-economics and subsistence cannot be separated, for without a source of income, we cannot afford a subsistence way of life.”

Andrew Guy | president and CEO, Calista Corporation



One of the most important elements of the Yukon-Kuskokwim region is the Kuskokwim River. We understand the importance of this river to the people, the fish, and the animals of the region – and are adapting our activities to best protect it.

VALUE-ENHANCING STRATEGY: ENVIRONMENT & SOCIAL RESPONSIBILITY, SAFETY, AND GOVERNANCE

Our approach to developing Donlin Gold and Galore Creek is focused on the principles of sustainability and community engagement – and on ensuring a transparent, comprehensive process that *always* adheres to best practices.

To cite just one example, Donlin Gold has logged over 1.9 million work-hours (that's more than eight years) without a single lost-time incident. Training for safety awareness and emergency preparedness is required of all employees, building a strong safety culture not only while on the job, but also for the entire region.

Donlin Gold and its external affairs team, in partnership with Calista and TKC Board members and their shareholders, continue their extensive engagement efforts throughout the Y-K region. NOVAGOLD continually works to inform residents of our plans and solicit their input on how to make the project better. Consistent community outreach and involvement has helped shape the project and will continue to ensure a balanced development plan that brings tangible, long-lasting benefits to the region while upholding a commitment to responsible development.

During the past 20-plus years, Donlin Gold has conducted exhaustive environmental, biological, and social baseline studies. In planning and performing these studies, a primary goal has been to maximize input from – and, importantly, the involvement of – local residents. This work has generally been done to support the impact assessment and permitting of the proposed project. These data and analyses, however, also provide the important information necessary to help residents and communities understand and, where appropriate, work to address current and future conditions in the region – and identify potential risks to human health and the environment. Examples of these efforts are broad-based and wide-ranging:

- ▶ **Fisheries** In addition to extensive aquatic resource characterization work in the Crooked Creek watershed, Donlin Gold has completed several major studies of fish populations in the Kuskokwim River. More specifically, these included studying the abundance and distribution of adult and juvenile Pacific salmon and resident fishes in targeted reaches of the river. Donlin Gold also conducted surveys of rainbow smelt spawning in

the Middle Kuskokwim River. (Rainbow smelt are an important subsistence food for villages in the Y-K region.) These studies were among the first of their kind, providing valuable data to help characterize and manage the resources.

- ▶ **Subsistence Harvest and Use** Subsistence practices change over time; accurate harvest data are therefore critical to enable agencies and community interests to make effective resource management decisions. Over the past 15 years, Donlin Gold has provided resources to the Alaska Department of Fish and Game to complete updated subsistence surveys for many of the villages along the Kuskokwim River, including compiling harvest data for fish, mammals, birds, and berries.

- ▶ **Hydrology and Erosion** The Kuskokwim River watershed is a dynamic system in which hydrologic and erosion-induced changes can have significant impacts on residents' lives. Donlin Gold has conducted extensive river characterization studies (e.g. erosion, flow, physiography) and developed state-of-the-art tools to predict and track natural and man-made changes in the system.

- ▶ **Emergency Response Training** One of the issues raised by communities is how Donlin Gold can ensure timely and effective response to potential spills of fuel or chemicals along the barge route on the Kuskokwim River, as well as other potential emergency response situations arising from the Donlin Gold project. Through our partnership with TKC, we've sponsored emergency response training for Middle Kuskokwim village residents – located along the barge route on the river – not only supporting Donlin Gold, but also helping villages address existing emergency response needs in and around their respective communities.

► **Mercury** Questions have been raised about mercury emissions and associated risks from the Donlin Gold project, in part because mercury levels are already elevated in the Y-K region due to existing natural and man-made sources. As part of our extensive environmental studies, Donlin Gold conducted a detailed evaluation of existing mercury levels and risks, as well as the potential impacts of project emissions. In fact, our emissions will be minimized by state-of-the-art controls. These scientific studies provide valuable information to the agencies and public in understanding and, as needed, addressing existing and potential future mercury concerns.

In addition, we have more than 10 years' worth of water quality monitoring at Donlin Gold, establishing baseline data to evaluate potential environmental impacts and provide defensible documentation in support of permitting. This data has supported the project design, including processing and water management and treatment system design, as well as closure planning. Our water management plan takes into account the full range of climatic conditions during the life of mine and closure, maximizing water reuse to the extent practicable while providing for discharge flexibility for excess water, and balancing environmental concerns with operational needs. All discharges must meet Alaska water quality standards at the point of discharge; all data and analyses were developed with input from both federal and state agencies to ensure compliance with anticipated permit requirements.

Our approach to waste rock management is a clearly defined method developed to identify and separate Non-Acid Generating (NAG) and Potentially Acid Generating (PAG) rock. We'll segregate and isolate low volumes of PAG rock and manage NAG rock to address predicted metal leaching, with all seepage and runoff to be collected and treated as needed.

Our design for closure at Donlin Gold is built on the following objectives: minimize the project's footprint, maximize concurrent reclamation, and provide for the long-term stability of the site under a range of future climatic conditions. This includes the innovative plan for dry closure of the tailings storage facility. In addition to minimizing the accumulation of water, we see the pit lake as key to closure water management, with the seasonal treatment of its water after filling, up to 60 years post-closure. To ensure long-term care and maintenance of the project post-closure, Donlin Gold proposes to establish and pay into a trust fund during operations to provide sufficient resources for such activities.



Operating and powering the mine will require that fuel and other supplies be transported to the site. Many of these materials will be transported to the project by barges traveling up and down the Kuskokwim River during the shipping season (June–October). While the potential for a spill is extremely unlikely because of the safeguards that have been included in the transportation plan, the Donlin Gold project will have an emergency Spill Response Plan ready to implement if a spill does occur. That plan will include staged response equipment at different locations along the transportation corridor and trained response crews.



Drill core is logged onsite before being transported to assay labs for evaluation.

The economic benefits of mining in Alaska.

8.6K

total direct and indirect jobs attributed to the Alaska mining industry

\$675M

total direct and indirect payroll

\$111M

payments to Alaska Native Corporations

\$23M

local government revenue through property taxes and payments in lieu of taxes

Source: Alaska Miners Association – The Economic Benefits of Alaska’s Mining Industry, January 2017



Alaska Native groups predominantly define themselves by their cultural traditions of collecting, processing, and distributing natural resources.

Another concern is the well-being of the region's salmon population. It's always been our belief that salmon and mining are compatible, and that Alaska needs both for the prosperity of the state and its people. This has been consistently proven by responsible mining and other natural resource development throughout the state. Put simply, you need income to buy resources to subsist (e.g. fishing gear, trucks, ATVs, snow machines, tools). Given lower federal and state budgets, the development of additional mines, especially in remote areas such as the Y-K region, is essential to sustainable economic growth.

Donlin Gold has approached development and operations in a sustainable and environmentally responsible manner, demonstrating a commitment to protecting not only salmon but other subsistence resources that are important to the peoples' food security, way of life, and culture.

Donlin Gold has consistently worked to ensure that the project design avoids or minimizes potential impacts to anadromous fish habitat. Protective design features include:

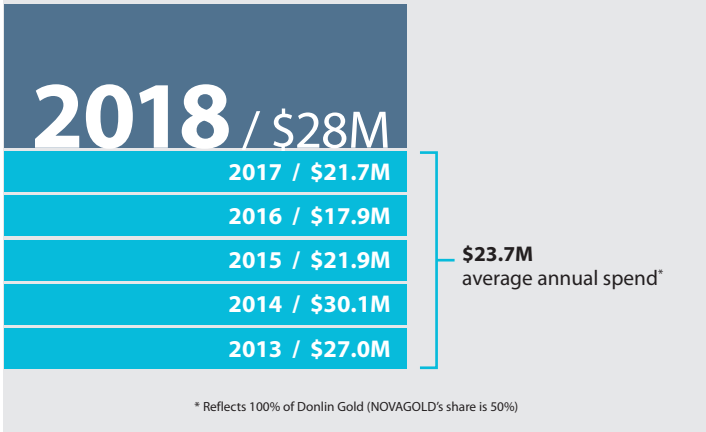
- ▶ Limiting the mine site's permanent footprint to two tributaries, thereby avoiding direct effects on the Crooked Creek main channel.
- ▶ Providing for cyanide destruction prior to discharge to the tailings storage facility (TSF).
- ▶ Proposing a state-of-the-art TSF design, including downstream dam construction, geosynthetic liner, and dry closure.
- ▶ Advanced water treatment to ensure that the most stringent water quality standards to protect aquatic life are always met at the discharge point.
- ▶ Limiting fuel barging through inclusion of the natural gas pipeline; using double-hulled barges and other best management practices to minimize fuel spill risk.

Both the state and the Corps are mandated by existing law and regulation to require Donlin Gold to minimize effects on aquatic habitat to the maximum extent practicable. Where impacts are unavoidable, they require development of effective mitigation measures which, once implemented, will be monitored to demonstrate their success. We are committed to ensuring that Donlin Gold causes no substantive potential impacts to anadromous fish in the Kuskokwim River watershed.

Donlin Gold remains committed to continuing constructive dialogue with residents, regulatory agencies, and other interested parties to further avoid, minimize, and mitigate potential impacts from the Donlin Gold project throughout the construction, operation, and closure of the project. Highlights from 2017 include:

- ▶ The updated preliminary jurisdictional wetland determination in support of the Clean Water Act Section 404 permit application was accepted by the Corps.
- ▶ A compensatory wetland impact mitigation plan for the project was developed and submitted to the Corps.
- ▶ The Pipeline and Hazardous Materials Safety Administration published a Public Notice seeking comments on the request for a special permit to construct the natural gas pipeline; the process closed with no substantive comments received.
- ▶ Donlin Gold filed several revised major state permit applications. The draft water discharge and integrated waste management permits were released for public comment at the end of the year.
- ▶ The majority of key state permits and approvals are scheduled to be finalized concurrently with the Corps' ROD.

Donlin Gold's budget and average annual spend.



In today's economic environment – and recognizing that a high level of engagement with our shareholders is critical in ensuring our long-term success – it is imperative that our shareholders understand NOVAGOLD's commitment to engagement enables a dialogue that will lead to implementing change as the company evolves.

In 2017, ahead of our Annual Meeting, we reached out to a majority of our shareholders, achieving an impressive turnout with 81% of the company's issued and outstanding shares voted at the meeting.

Ours is an extremely engaged shareholder base, and, after conducting annual proxy meetings for more than five years and seeing the increased level of engagement by fund managers and responsible investors alike, NOVAGOLD's Compensation Committee, Corporate Governance and Nominations Committee, and management concluded that it would be beneficial to conduct additional meetings outside of the proxy season.

To that end, we solicited post-proxy season meetings with the company's 20 largest institutional shareholders with the following objectives: enhance our understanding of shareholders' governance policies, standards, and expectations; discuss and gain a better understanding of expectations and concerns with respect to NOVAGOLD's compensation, environmental, social, and governance-related policies to allow us to further improve our disclosure and consider alternative governance and compensation practices; and give our shareholders an opportunity to hear from representatives of the Compensation Committee and Corporate Governance and Nominations Committee on topics of interest to the shareholder.



After successfully completing these shareholder meetings, we reported the findings to the Compensation Committee, the Corporate Governance and Nominations Committee, and to the board. In response to matters discussed during this engagement, our board has implemented several governance and compensation changes.

The focus for 2018 will be to build upon last year's efforts. We will endeavor to enhance disclosure in our management information circular, annual report, and other relevant corporate materials to better communicate NOVAGOLD's activities, efforts, and progress in clear and engaging ways. Also, by staying attuned to best practices and regulatory changes, we will work to stay ahead of the curve.



Local communities offer generations of traditional knowledge about the environment. We use this local knowledge to help guide the location, layout, and design of project infrastructure to avoid sensitive and culturally important habitats and landscapes.

“We are encouraged by the prospects to further optimize the Donlin Gold project, which has the potential to be the largest pure gold mine in the world – in one of the safest jurisdictions of the world.”

Kelvin Dushnisky | president, Barrick Gold



Project update presentations are given throughout the Y-K region, keeping the lines of communication open with local residents.

VALUE-ENHANCING STRATEGY: NEXT STEPS

Projects with solid economic fundamentals – such as Donlin Gold, we believe – have diverse and multiple financing options, all of which will be evaluated. Assets like these are needed to sustain an industry where production is falling. The new mines coming into production simply will not be sufficient to replace current reserves, let alone provide growth.

Preparation of the EIS is the most time-consuming aspect of the NEPA process and, in large part, drives the overall permitting timeline for Donlin Gold. It's a process that involves multiple public comment opportunities. The Corps, the project's lead federal permitting agency, completed and distributed the preliminary final EIS in July for review by the cooperating agencies. The cooperating agencies completed their review and submitted their input to the Corps on schedule in mid-September.

The Corps completed revisions to the EIS and anticipates publishing the final EIS in early 2018; it expects to issue its ROD in the second half of the year. A thorough scoping process at the start of the EIS identified the issues of primary concern to residents of the Y-K region and the cooperating agencies. Based on that input, the Corps developed a robust process for evaluating and selecting alternatives to Donlin Gold's proposed action for evaluation in the EIS. Public input during the six-month draft EIS comment period provided additional information that generated further revisions to the project and the EIS analysis. For example, Donlin Gold is proposing to reroute a portion of the natural gas pipeline away from the Iditarod National Historic Trail. In addition, Donlin Gold has held meetings with communities along the Kuskokwim River to establish a bargaining communications plan intended to reduce potential conflicts with inhabitants of the villages along the river who use it for subsistence and transportation.

While the federal NEPA process receives the most attention, Donlin Gold must obtain more than 100 permits, most of which are issued by the State of Alaska. As the NEPA process has progressed, Donlin Gold also has submitted applications for important state permits, for example the air pollution control permit (Prevention of Significant Deterioration) which was issued in June 2017, and the water discharge and integrated waste management permits. The latter two

were issued by the state in draft form for public comment in mid-December. Permitting a project like Donlin Gold is demanding – as it should be – and the hard work of our team is producing results as the permit processes advance concurrently toward decisions in 2018. The Corps is committed to the EIS schedule, and NOVAGOLD is doing everything it can to support that process. The Corps' team is an accomplished group made up of the right people to successfully coordinate the Corps' efforts with the cooperating agencies.

Between the Corps' filing of the final EIS and the ROD, many other activities will unfold. The Corps needs to write the ROD and the permit, assuming the decision is made to issue one, and then send the permit to the state, which in turn has to document that it complies with state water quality standards. For a project like Donlin Gold, the ROD itself is a fairly involved document, and would take into account any comments received on the final EIS and on our permit application. With the ROD, the Corps prepares a Clean Water Act 404 (b)(1) analysis, often an extensive document that shows why the permitted project would have the least-damaging practicable effect on the environment (compared to other project options). Finally, they need to complete other required consultations that started during the EIS process, including compliance with the National Historic Preservation Act, Endangered Species Act, and Magnuson-Stevens Fishery Conservation and Management Act (which protects essential fish habitat), all of which require other agency concurrence.

We believe that the risk of delay, for example from environmental litigation, is small. Should there be any interruptions, however, we are prepared to work through them and to keep the process moving forward. With an asset that has a life of mine of approximately 27 years, NOVAGOLD maintains a long-term view while taking a methodical approach to ensure that each step is completed properly – even

if that means taking a bit more time. Of course, there are never any guarantees that no one will file a lawsuit seeking to prevent development of a new mining project. But we believe that, in addition to a thorough permitting process, the strong relationships Donlin Gold has established over more than 20 years with the local communities in the Y-K region and the State of Alaska mitigate this risk substantially.

With permitting in the final stretches, NOVAGOLD has been looking at various ways to optimize the project over the last few years through desktop and field work. In November 2017, we completed a drill program, which included a total of 16 core holes and approximately 7,040 meters drilled. Its purpose was to gather additional geochemical and structural data to further strengthen our understanding of the targeted mineralized zones, deepen our knowledge of the structural controls, and support ongoing optimization work. The outcome should provide valuable information for the next iteration of the feasibility study.

As the optimization work progresses, we'll look at updating the existing feasibility study. Beyond evaluating enhancements to the project execution plan, we've also been assessing greater use of selective mining methods (which could improve the grade delivered to the process facilities), looking at innovative technologies in logistics and automation, investigating potential third-party participation for certain project infrastructure, and considering various financing opportunities, such as leasing mining equipment, which would all contribute toward reducing the owners' initial capital costs and execution risks.

In addition to updating the feasibility study, further engineering work is required to advance the project design from feasibility-level to construction-ready. Some field work, such as drilling to further define geotechnical conditions in the area of the proposed tailings embankment, will be undertaken to support detailed engineering. There will be field work along the natural gas pipeline right-of-way to finalize the pipeline alignment and verify the proposed locations of borrow sites and river crossings. As engineering specifications are being finalized, early works could be initiated for the port facilities and road to site, and orders could be placed for mine equipment, plant components, pipe, and other materials. These actions will be scheduled in a well-thought-out project execution plan that the project team will use to manage the project scope and to reduce the execution risks. Our view is that by investing time and effort in planning project execution carefully, much of the risk associated with large capital projects that has undermined confidence in the industry over the last decade can be mitigated.

Seeing the project firsthand offers Donlin Gold stakeholders the opportunity to gain a greater understanding of our development plan.

The aim of all of our optimization efforts is to enhance project economics and capitalize on Donlin Gold's large size and superior grade while maintaining its full upside value. Over the past six years, there really hasn't been much market appetite for large capital projects. Key factors in our decision to move forward to develop Donlin Gold will be the outcome of this optimization work, a shift in investor and capital market sentiment, and, of course, the price of gold. Though the fundamental supply and demand thesis is stronger today for gold than it has ever been, we have not yet seen that reality reflected in gold, and more important, in NOVAGOLD's share price.

In addition to the market's perception, a decision to construct Donlin Gold will also be influenced by the reality that gold miners must replace existing mines where reserves and grades are declining. There have been no discoveries of any consequence in more than six years. Today, on average, it takes more than 20 years for a project to go from discovery to production. Time is on our side, as we still have work to do ahead of being able to make a construction decision on the project. And once built, Donlin Gold's quality grade and low projected cash costs will provide resilience through various gold cycles. With a mine life measured in decades, we are confident that Donlin Gold will generate benefits for all stakeholders. NOVAGOLD believes that Donlin Gold is a truly unique and attractive gold deposit in an era defined by quality asset scarcity – and that it could be the first new large mine to be built when market sentiment turns.

The atmosphere of trust and respect among all Donlin Gold partners – NOVAGOLD, Barrick, Calista, TKC, and the state and federal regulators with whom we've worked for many years – form an important foundation for our future collective success. Together, we're creating an important source of economic prosperity in the region and in Alaska for generations to come. And perhaps most important, we all share the same values and priorities: that Donlin Gold should be developed responsibly and in a way that provides tangible benefits to all stakeholders.

In short, Donlin Gold is the right asset at the right time. NOVAGOLD is laying the groundwork for its long-term success – and for superior share price performance.



NOVAGOLD's 2018 budget and average annual spend.

28.0_M

- \$ 14M – Donlin Gold
- \$ 3M – Galore Creek
- \$ 11M – G&A

Sufficient cash on hand to progress the Donlin Gold project through completion of permitting.*

24.7_M

Yearly Average

As stewards of the capital entrusted to us by our shareholders, our average annual spend has been \$24.7M since 2013.†

* Cash and term deposits at November 30, 2017 \$84M. † Excluding financial activities.

RESERVES & RESOURCES

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

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

t = metric tonne
g/t = grams/tonne

oz = ounce
lb = pound

k = thousand
M = million

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

Donlin Gold

Reserves:¹ 0.57 g/t gold

Resources:³ 0.46 g/t gold

Galore Creek

Reserves:² C\$10.08 /t NSR

Resources:⁴ C\$10.08 /t NSR

Notes:

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

Reserves & Resources Footnotes:

- Mineral reserves are contained within measured and indicated pit designs, and supported by a mine plan, featuring variable throughput rates, stockpiling and cut-off optimization. The pit designs and mine plan were optimized on diluted grades using the following economic and technical parameters: Metal price for gold of US\$975/oz; reference mining cost of US\$1.67/t incremented US\$0.0031/t/m with depth from the 220 m elevation (equates to an average mining cost of US\$2.14/t), variable processing cost based on the formula $2.1874 \times (\%) + 10.65$ for each US\$/t processed; general and administrative cost of US\$2.27/t processed; stockpile rehandle costs of US\$0.19/t processed assuming that 45% of mill feed is rehandled; variable recoveries by rock type, ranging from 86.66% in shale to 94.17% in intrusive rocks in the Akivik domain; refining and freight charges of US\$1.78/oz gold; royalty considerations of 4.5%; and variable pit slope angles, ranging from 23° to 43°. Mineral reserves are reported using an optimized net sales return value based on the following equation: Net Sales Return = Au grade * Recovery * (US\$975/oz - (1.78 + (US\$975/oz - 1.78) * 0.045)) - (10.65 + 2.1874 * (% + 2.27 + 0.19)) and reported in US\$/tonne. Assuming an average recovery of 89.54% and an average 5% grade of 1.07%, the marginal gold cut-off grade would be approximately 0.57 g/t, or the gold grade that would equate to a \$0.001 net sales return cut-off at these same values. The life of mine strip ratio is 5.48. The assumed life-of-mine throughput rate is 53.5 kt/d.
- Mineral reserves are contained within measured and indicated pit designs using metal prices for copper, gold and silver of US\$2.50/lb, US\$1,050/oz, and US\$16.85/oz, respectively. Appropriate mining costs, processing costs, metal recoveries and inter ramp pit slope angles varying from 42° to 55° were used to generate the pit phase designs. Mineral reserves have been calculated using a 'cashflow grade' (NSR/SAG mill hr) cut-off which was varied from year to year to optimize NPV. The net smelter return (NSR) was calculated as follows: NSR = Recoverable Revenue - TCRC (on a per tonne basis), where: NSR = Net Smelter Return; TCRC = Transportation and Refining Costs; Recoverable Revenue = Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using metal prices of US\$2.50/lb, US\$1,050/oz, and US\$16.85/oz for copper, gold, and silver, respectively, at an exchange rate of CDN\$1.10 to US\$1.00; Cu Recovery = Recovery for copper based on mineral zone and total copper grade; for mineral reserves this NSR calculation includes mining dilution. SAG throughputs were modeled by correlation with alteration types. Cash flow grades were calculated as the product of NSR value in \$/t and throughput in t/hr. The life of mine strip ratio is 2.16.
- Mineral resources are contained within a conceptual measured, indicated and inferred optimized pit shell using the following assumptions: gold price of US\$1,200/oz; variable process cost based on $2.1874 \times (\text{sulphur grade}) + 10.6485$; administration cost of US\$2.29/t; refining, freight & marketing (selling costs) of US\$1.85/oz recovered; stockpile rehandle costs of US\$0.20/t processed assuming that 45% of mill feed is rehandled; variable royalty rate, based on royalty of $4.5\% \times (\text{Au price} - \text{selling cost})$. Mineral resources have been estimated using a constant net sales return cut-off of US\$0.001/t milled. The net sales return was calculated using the formula: Net Sales Return = Au grade * Recovery * (US\$1,200/oz - (1.85 + ((US\$1,200/oz - 1.85) * 0.045))) - (10.65 + 2.1874 * (% + 2.29 + 0.20)) and reported in US\$/tonne. Assuming an average recovery of 89.54% and an average 5% grade of 1.07%, the marginal gold cutoff grade would be approximately 0.46 g/t, or the gold grade that would equate to a \$0.001 net sales return cutoff at these same values. Mineral resources are inclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred resources are in addition to measured and indicated resources. Inferred resources have a great amount of uncertainty as to their existence and whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. See following "Cautionary Note Concerning Reserve & Resource Estimates".
- Mineral resources are contained within a conceptual measured, indicated and inferred optimized pit shell using the same economic and technical parameters as used for mineral reserves. Tonnages are assigned based on proportion of the block below topography. The overburden/bedrock boundary has been assigned on a whole block basis. Commodity prices used to constrain the mineral resources are US\$2.50/lb copper, US\$1,050/oz gold, and US\$16.85/oz silver. Mineral resources have been estimated using a constant NSR cut-off of C\$10.08/t milled. The Net Smelter Return (NSR) was calculated as follows: NSR = Recoverable Revenue - TCRC (on a per tonne basis), where: NSR = Diluted Net Smelter Return; TCRC = Transportation and Refining Costs; Recoverable Revenue = Revenue in Canadian dollars for recoverable copper, recoverable gold, and recoverable silver using the economic and technical parameters mentioned above. Mineral resources are inclusive of mineral reserves. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred resources are in addition to measured and indicated resources. Inferred resources have a great amount of uncertainty as to their existence and whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. See following "Cautionary Note Concerning Reserve & Resource Estimates".

Cautionary Note Concerning Reserves & Resources Estimates

This summary table uses the term "resources", "measured resources", "indicated resources" and "inferred resources". United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the United States Securities and Exchange Commission (the "SEC") does not recognize them. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Therefore, investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations, however, the SEC normally only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this release may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

NI 43-101 is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all resource estimates contained in this annual report have been prepared in accordance with Canadian National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) - CIM Definition Standards on Mineral resources and Mineral reserves, adopted by the CIM Council, as amended ("CIM Definition Standards"). The requirements of NI 43-101 for identification of "reserves" are also not the same as those of the SEC, and reserves reported by NOVAGOLD in compliance with NI 43-101 may not qualify as "reserves" under SEC standards. Neither Donlin Gold nor Galore Creek have known reserves, as defined under SEC Industry Guide 7.

Forward-Looking Statements

This annual report includes certain "forward-looking information" and "forward-looking statements" (collectively "forward-looking statements") within the meaning of applicable securities legislation, including the United States Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included herein including, without limitation, the timing of permitting and potential development of Donlin Gold, mine life and production estimates, statements as to the potential exploration upside at Donlin Gold, statements relating to NOVAGOLD's future operating and financial performance, outlook, production estimates, and the potential sale of all or part of NOVAGOLD's interest in Galore Creek are forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", and similar expressions, or statements that events, conditions, or results "will", "may", "could", or "should" occur or be achieved. These forward-looking statements may also include statements regarding the perceived merit of properties; anticipated permitting timeframes; exploration results and budgets; mineral reserve and resource estimates; work programs; capital expenditures; timelines; strategic plans; completion of transactions; market prices for precious and base metals; or other statements that are not statements of fact. Forward-looking statements involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

Important factors that could cause actual results to differ materially from NOVAGOLD's expectations include the uncertainties involving the need to obtain permits and governmental approvals; the need for additional financing to explore and develop properties and availability of financing in the debt and capital markets; uncertainties involved in the interpretation of drilling results and geological tests and the estimation of reserves and resources; the need for continued cooperation with Barrick Corporation and Teck Resources Limited for the continued exploration and development of the Donlin Gold and Galore Creek properties, respectively; the need for cooperation of government agencies and native groups in the development and operation of properties; risks of construction and mining projects such as accidents, equipment breakdowns, bad weather, non-compliance with environmental and permit requirements, unanticipated variation in geological structures, ore grades or recovery rates; unexpected cost increases, which could include significant increases in estimated capital and operating costs; fluctuations in metal prices and currency exchange rates; and other risk and uncertainties disclosed in NOVAGOLD's annual report filed on Form 10-K for the year-ended November 30, 2017 with the United States Securities and Exchange Commission, Canadian securities regulators, and in other NOVAGOLD reports and documents filed with applicable securities regulatory authorities from time to time. NOVAGOLD's forward-looking statements reflect the beliefs, opinions and projections on the date the statements are made. NOVAGOLD assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

Technical Reports and Qualified Persons

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

Project	Qualified Person(s)	Most Recent Disclosures & Filing Date
Donlin Gold	Gordon Seibel, R.M. SME Kirk Hanson, P.E.	"Donlin Creek Gold Project Alaska, USA, NI 43-101 Technical Report on Second Updated Feasibility Study" prepared by AMEC effective November 18, 2011, amended January 20, 2012.
Galore Creek	Jay Melnyk, P.Eng. Greg Kulla, P.Geo.	"Galore Creek Copper-Gold Project NI 43-101 Technical Report on Pre-Feasibility Study, British Columbia - Canada" prepared by AMEC effective July 27, 2011.

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

CORPORATE INFORMATION



MANAGEMENT (LEFT TO RIGHT)

Ron Rimelman

vice president, environment, health, safety and sustainability

David Deisley

executive vice president and general counsel

Gregory A. Lang

president and chief executive officer

Richard Williams

vice president, engineering and development

Mélanie Hennessey

vice president, corporate communications

David Ottewell

vice president and chief financial officer

TRANSFER AGENT

For information on share transfers, lost certificates, or a change of address, contact:

Computershare

1.800.564.6253 (toll-free in Canada and the United States)

1.514.982.7555 (international direct dial)

computershare.com

AUDITORS

PricewaterhouseCoopers LLP

SHARE LISTINGS

TSX, NYSE American: NG

Issued at January 17, 2018, 322.3 million

BOARD OF DIRECTORS

Dr. Thomas Kaplan

chairman, NOVAGOLD RESOURCES INC.;

chairman and chief executive officer, The Electrum Group, natural resources investment management company

Sharon Dowdall ^(1, 2, 4)

corporate director

Gregory A. Lang ^(3, 5)

president and CEO, NOVAGOLD RESOURCES INC.

Gillyeard Leathley ⁽³⁾

former COO, Homestake Mining Company

Igor Levental ^(4, 5)

president, The Electrum Group, natural resources investment management company

Kalidas Madhavpeddi ^(1, 2)

overseas CEO, China Molybdenum Company Limited;

former executive with Phelps Dodge

Gerald McConnell ^(4, 5)

chairman, Namibia Rare Earths Inc.

Clynton Nauman ^(1, 3)

CEO, Alexco Resource Corp.

Rick Van Nieuwenhuysse ^(3, 5)

president and CEO, Trilogy Metals, Inc.;

former CEO, NOVAGOLD RESOURCES INC.

Anthony Walsh ^(1, 2)

corporate director

Members of:

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





ANNUAL MEETING OF SHAREHOLDERS

Friday, May 4, 2018 – 1pm PT
Hyatt Regency Vancouver
Grouse Room
655 Burrard Street,
Vancouver, BC, Canada V6C 2R7

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NOVAGOLD