NOVAGOLD RESOURCES INC.

ANNUAL REPORT TO ACCOMPANY MANAGEMENT INFORMATION CIRCULAR
FOR YEAR ENDED NOVEMBER 30, 2015

CORPORATE OFFICE	MANAGEMENT OFFICE
Suite 720 – 789 West Pender Street	201 South Main Street, Suite 400
Vancouver, British Columbia	Salt Lake City, Utah
Canada V6C 1H2	USA 84111
Tel: 604-669-6227 or 866-669-6227	Tel: 801-639-0511
Fax: 604-669-6272	Fax: 801-649-0509

Website: www.novagold.com

OVERVIEW

NOVAGOLD RESOURCES INC. (‘NOVAGOLD” or the “Company”) operates in the gold mining industry, primarily focused on advancing permitting of the Donlin Gold project in Alaska. The Donlin Gold project is held by Donlin Gold LLC (“DGLLC”), a limited liability company owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick Gold Corporation (“Barrick”). We are also committed to maximizing the value of our interest in the Galore Creek copper-gold-silver project in British Columbia, Canada. The Galore Creek project is held by Galore Creek Partnership, which is owned equally by NOVAGOLD Canada Inc., a wholly-owned subsidiary of NOVAGOLD, and by Teck Resources Limited (“Teck”). We continue to explore opportunities to sell, in whole or in part, our interest in the Galore Creek project.

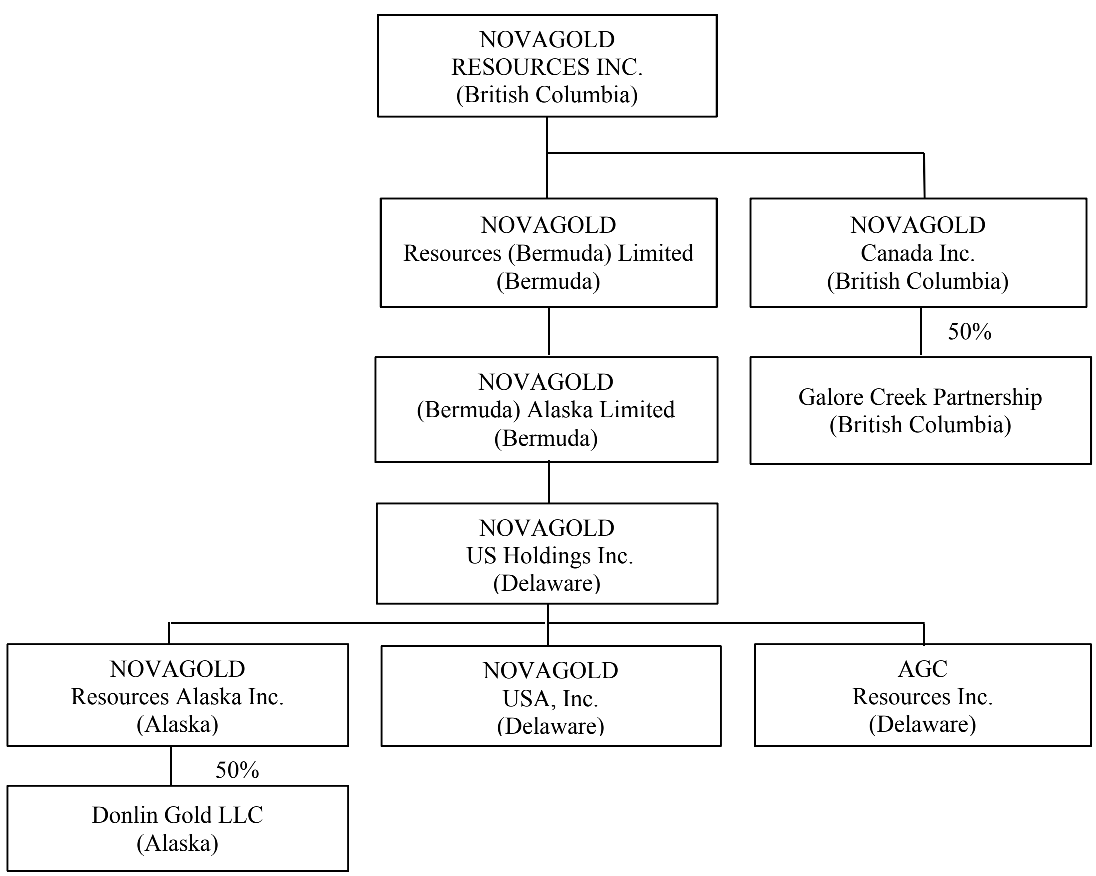
We do not produce gold or any other minerals, and do not currently generate operating earnings. Through 2015, funding to explore our mineral properties and to operate the Company was acquired primarily through previous equity financings consisting of public offerings of our common shares and warrants and through debt financing consisting of convertible notes. We expect to continue to raise capital through additional equity and/or debt financings, through the exercise of stock options, and otherwise.

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

Corporate Structure

As of November 30, 2015, we had the following material, direct and indirect, wholly-owned subsidiaries: NOVAGOLD Resources Alaska, Inc., NOVAGOLD US Holdings Inc., NOVAGOLD USA, Inc., NOVAGOLD (Bermuda) Alaska Limited, NOVAGOLD Resources (Bermuda) Limited and NOVAGOLD Canada Inc.

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



Employees

On November 30, 2015, we had 13 full-time employees. We also use consultants with specific skills to assist with various aspects of project evaluation, engineering and corporate governance.

Segment and Geographical Information

We operate in a single reportable operating segment, being the exploration and development of mineral properties. Our long-lived assets are geographically distributed as shown in the following table. We did not have revenue from continuing operations in any of the periods shown below.

Long-lived assets

	At November 30,		
($ thousands)	2015	2014	2013
Canada	$291,765	$340,520	$367,712
United States	2,067	3,521	4,435
	$293,832	$344,041	$372,147

Recent Developments

Donlin Gold Project

Permitting activities continued at the Donlin Gold project in 2015 and were mainly focused on updating our Clean Water Act Section 404 permit application information and providing the U.S. Army Corps of Engineers (the "Corps"), the lead agency for the Donlin Gold project Environmental Impact Statement (the "EIS"), with requested input and information as the Corps prepared and completed the draft EIS. The EIS is also, in large part, a determining factor in the overall permitting timeline which commenced in 2012 for the Donlin Gold project.

The Corps filed the Notice of Availability of the draft EIS in the Federal Register in November 2015. Subsequent to the filing of the draft EIS, the Corps issued a schedule for public meetings in the Yukon-Kuskokwin ("Y-K") region and Anchorage on the Donlin Gold draft EIS. The Corps will accept comments on the draft EIS until the close of the 5-month comment period at the end of April 2016, as well as review and respond to all comments in a final EIS, which the Corps' schedule anticipates will be published in 2017. This timeline provides ample opportunity for all the stakeholders to become informed and comment on the EIS. The Corps' time table for the Donlin Gold project EIS process can be found on their website at www.donlingoldeis.com.

In addition to actively participating in the NEPA process, DGLLC continues to work simultaneously with the Corps and other permitting agencies to advance major permits and applications. A Request for Expression of Interest ("RFEOI") for third party participation in the natural gas pipeline proposed as part of the Donlin Gold project was issued to potential candidates. The submittals were determined to be responsive to the RFEOI, were from experienced and responsible bidders, and confirmed the potential for third party participation in construction of the natural gas pipeline.

DGLLC remains actively engaged in sponsorship activities at the community level, supporting local youth in leadership endeavors, visiting communities in the Y-K region and executing on its workforce development strategy.

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

Galore Creek Project

During 2015, information from field visits and mine planning was used to continue to optimize integrated mining, and waste and water management concepts. A draft long-term site management plan was developed for site care and maintenance. Also during 2015, Galore Creek Partnership sold excess construction equipment and awarded a generalized study of tunneling practice for the access and material handling tunnel into the Galore Creek valley. Galore Creek Partnership remains active in the community, sponsoring local fundraising events, supporting Tahltan literacy camps, as well as providing assistance and funding for research on the Tahltan language dictionary.

We will continue to evaluate opportunities to monetize the value of the asset, in whole or in part, to strengthen our balance sheet and focus primarily on the advancement of the Donlin Gold project.

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

Reclamation

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

Government and Environmental Regulations

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

Competition

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

Availability of Raw Materials and Skilled Employees

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

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

Seasonality

Our business is seasonal as mineral exploration and development activities take place in southwestern Alaska and northern British Columbia. Due to the northern climate, work on the Donlin Gold and Galore Creek projects can be limited due to excessive snow cover and cold temperatures. In general, surface work often is limited to late spring through early fall, although work in some locations, which may more efficiently be accessed while frozen, occurs in the winter.

Gold Price History

The price of gold is volatile and is affected by numerous factors, all of which are beyond our control, such as the sale or purchase of gold by various central banks and financial institutions, inflation, recession, fluctuation in the relative values of the U.S. dollar and foreign currencies, changes in global and regional gold demand, in addition to international and national political and economic conditions.

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

Year	High	Low	Average
2011	$1,895	$1,319	$1,571
2012	$1,792	$1,540	$1,669
2013	$1,694	$1,192	$1,411
2014	$1,385	$1,142	$1,266
2015	$1,296	$1,049	$1,160
2016 (to January 20)	$1,106	$1,077	$1,092

Data Source: www.kitco.com

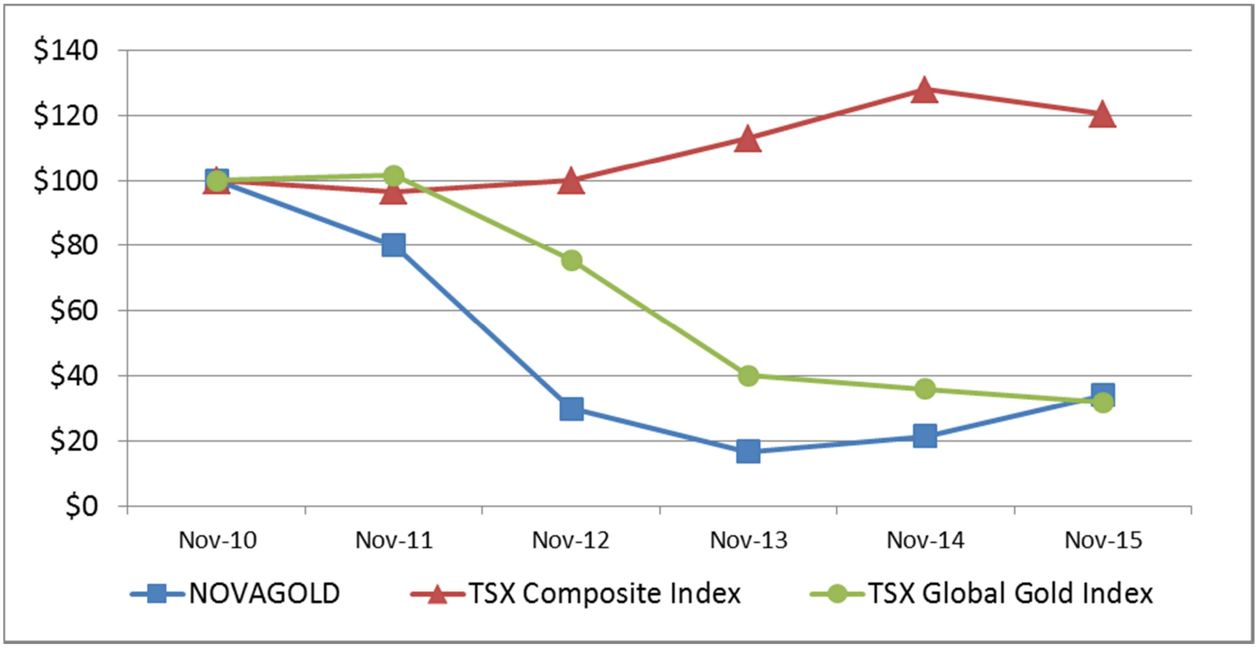
Market Information

Our common shares trade on the NYSE-MKT and on the Toronto Stock Exchange ("TSX") under the symbol "NG." On January 20, 2016, there were 661 holders of record of our shares, which does not include shareholders for which shares are held in nominee or street name. We believe that more than half of our common shares are beneficially owned by investors in the United States. The following table sets out the intraday high and low sales prices per share of our common shares on the NYSE-MKT and TSX for the periods indicated.

		NYSE-MKT		TSX	
Year	Quarter	High	Low	High	Low
2015	Fourth	$4.05	$3.05	C$5.23	C$4.05
	Third	$4.18	$2.65	C$5.20	C$3.42
	Second	$4.25	$2.72	C$5.22	C$3.46
	First	$4.14	$2.56	C$5.17	C$2.94
2014	Fourth	$3.98	$2.33	C$4.32	C$2.65
	Third	$4.40	$2.96	C$4.72	C$3.23
	Second	$4.62	$2.91	C$5.11	C$3.16
	First	$3.80	$2.18	C$4.20	C$2.33

Share Performance Graph

The following graph depicts the Company's cumulative total Shareholder returns over the five most recently completed fiscal years assuming a C$100 investment in Common Shares on November 30, 2010, compared to an equal investment in the S&P/TSX Composite Index (TSX ticker: ^TSX) and in the S&P/TSX Global Gold Index (TSX ticker: ^TTGD) on November 30, 2010. The Company does not currently issue dividends. The Common Share performance as set out in the graph is not indicative of future price performance.



C$	2011	2012	2013	2014	2015
Value based on C$100 invested in the Company on November 30, 2010[(1)]	80	30	17	22	34
Value based on C$100 invested in S&P/TSX Composite Index on November 30, 2010	97	100	113	128	120
Value based on C$100 invested in the S&P/TSX Global Gold Index on November 30, 2010	102	76	40	36	32

(1) Excludes the value of NovaCopper shares distributed to shareholders in 2012.

Dividends

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

Selected Financial Data

The selected financial data set forth in the table below should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and our audited consolidated financial statements and the notes thereto contained elsewhere in this annual report.

	Years ended November 30,				
(dollars in thousands, except per share)	2015	2014	2013	2012	2011
Loss from operations	$(31,696)	$(38,008)	$(55,776)	$(79,942)	$(115,996)
Net income (loss) from continuing operations	$(31,952)	$(40,484)	$(62,760)	$(7,586)	$78,235
Net loss from discontinued operations	$—	$—	$—	$(4,243)	$(33,094)
Net income (loss) attributable to shareholders	$(31,952)	$(40,484)	$(62,760)	$(11,829)	$64,767
Income (loss) per common share:					
Basic:					
Continuing operations	$(0.10)	$(0.13)	$(0.20)	$(0.03)	$0.33
Discontinued operations	—	—	—	(0.02)	(0.14)
	$(0.10)	$(0.13)	$(0.20)	$(0.05)	$0.19
Diluted:					
Continuing operations	$(0.10)	$(0.13)	$(0.20)	$(0.03)	$0.21
Discontinued operations	—	—	—	(0.02)	(0.14)
	$(0.10)	$(0.13)	$(0.20)	$(0.05)	$0.07

	As of November 30,				
	2015	2014	2013	2012	2011
Total assets	$433,584	$524,546	$578,686	$685,242	$518,208
Long-term liabilities	$100,771	$100,204	$108,684	$94,907	$265,059
Shareholders' equity	$329,296	$405,116	$465,649	$476,811	$212,594

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

The following discussion and analysis of our financial condition and results of operations constitutes management's review of the factors that affected our financial and operating performance for the years ended November 30, 2015, 2014 and 2013. This discussion should be read in conjunction with the consolidated financial statements and notes thereto contained elsewhere in this report.

Overview

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

In 2015, we successfully delivered on the key goals established at the beginning of the year. Highlights of our accomplishments include:

Advancement of the Donlin Gold project

Permitting activities continued at the Donlin Gold project in 2015 and were mainly focused on updating our Clean Water Act Section 404 permit application information and providing the Corps, the lead agency for the Donlin Gold project EIS, with requested input and information as the Corps prepared and completed the draft EIS. The EIS is also, in large part, a determining factor in the overall permitting timeline which commenced in 2012 for the Donlin Gold project. This document is comprised of four main sections which:

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

In November 2015, the Corps filed the draft EIS. Following the filing of the draft EIS, the Corps issued a schedule for public meetings on the draft EIS, to be held in the Y-K region and Anchorage in the first quarter of 2016. The Corps will accept comments on the draft EIS until the close of the 5-month comment period at the end of April 2016, as well as review and respond to all comments on the draft EIS in a final Donlin Gold project EIS, which the Corps' schedule anticipates will be published in 2017. This timeline provides ample opportunity for all the stakeholders to become informed and comment on the EIS. The Corps' time table for the Donlin Gold EIS process can be found on their website at www.donlingoldeis.com.

In addition to actively participating in the NEPA process, DGLLC continues to work simultaneously with the Corps and other permitting agencies on major permit applications, including:

- working with the State to finalize the air quality permit application and initiate preparation of the air quality permit;
- finalizing approaches to water management, treatment, and discharge to facilitate issuance of the water discharge and use permits;
- coordinating and supporting the State, Federal, and native landowner reviews of the rights-of-way and lease applications for the gas pipeline;
- working with the State Dam Safety program on engineering evaluation and authorization of the seven large dams proposed for the project, including the tailings storage facility dam; and

- supporting the Corps in finalizing the determination of the impacts on wetland areas, functions, as well as values and proposing compensatory mitigation as required by the Clean Water Act section 404 permitting process.

An extensive list of additional federal and state government permits and approvals must be obtained before the Donlin Gold project can commence construction. Preparation of the applications for some of these permits and approvals requires additional, more detailed engineering that were not part of the Donlin Gold project feasibility study. Completion of this engineering will require a significant investment of funds, time, and other resources by DGLLC and its contractors. Also, the DGLLC board must approve a construction program and budget before construction of the Donlin Gold project can begin. The timing of the required engineering work and the DGLLC board's approval of a construction program and budget, the receipt of all required governmental permits and approvals, the availability of financing, among other factors, will affect whether and when construction of the Donlin Gold project will begin. Among other reasons, project delays could occur as a result of public opposition, limitations in agency staff resources during regulatory review and permitting, or project changes made by DGLLC.

DGLLC remains actively engaged in sponsorship activities at the community level, supporting local youth in leadership endeavors, visiting communities in the Y-K region and executing its workforce development strategy. Throughout 2015, DGLLC continued to promote safety, education and workforce development by supporting local and regional events, scholarships and programs. DGLLC led and participated in multiple community meetings throughout the region. Additionally, DGLLC sponsored the annual spring Clean Up Green Up event, a community-wide effort to reduce litter and promote reuse and recycling.

Our share of funding for the Donlin Gold project in 2015 was $10.5 million for permitting, community engagement and development efforts. Our 50% share of the 2016 work program is expected to be approximately $9 million. The 2016 work program and budget includes funds to continue to advance the permitting process through issuance of the final EIS. In addition, DGLLC will continue to maintain its engagement with communities in the Y-K region.

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

Galore Creek project

In 2015, the Galore Creek Partnership continued to advance technical studies in project mine planning and design, and waste rock and water management, and perform environmental monitoring, community commitments and site care and maintenance. We expect this effort to further improve the value and marketability of the Galore Creek project, which we continue to be open to monetizing, in whole or in part, to strengthen our balance sheet and focus primarily on the permitting of the Donlin Gold project.

During 2015, information from field visits and mine planning was used to continue to optimize integrated mining, waste and water management concepts. A draft long-term site management plan was developed for site care and maintenance. Also during 2015, Galore Creek Partnership awarded a generalized study of tunneling practice for the access and material handling tunnel into the Galore Creek valley. Galore Creek Partnership remained active in the community in 2015, sponsoring local fundraising events and supporting Tahltan literacy camps in three villages in northern British Columbia.

Our share of cash funding for Galore Creek Partnership was $0.5 million in 2015, primarily for technical studies, care and maintenance, and community commitments. The Galore Creek Partnership sold excess construction equipment during 2015 and our $0.6 million share of the proceeds reduced our funding requirement. In 2016, our 50% share of the work program is expected to be approximately $1 million to continue to advance technical studies, community commitments and site care and maintenance.

We record our interest in the Galore Creek Partnership as an equity investment, which results in our 50% share of expenses being recorded in the income statement as an operating loss. The investment amount recorded on the balance sheet primarily represents the fair value of our investment in the Galore Creek Partnership in 2011, recorded upon Teck's completion of their earn-in, as well as unused funds advanced to the partnership, all in Canadian dollars, and translated to U.S. dollars at the current exchange rate.

During 2015, there was a significant decline in the price of copper in U.S. dollars. A sustained decline in the long-term copper price is deemed to be an indicator of possible impairment for our investment in the Galore Creek Partnership and our 40% direct interest in the Copper Canyon mineral property. The Canadian dollar is the functional currency for our Canadian operations and therefore we assess whether there has been a potential impairment triggering event related to copper prices in Canadian dollars. Due to the substantial strengthening of the U.S. dollar in relation to the Canadian dollar, there has not been a significant decline in the price of copper in Canadian dollar terms and therefore is not presently an indicator of possible impairment.

Maintained our strong financial position

Cash and term deposits decreased by $38.6 million in 2015, $6.2 million less than originally planned and, excluding the $15.8 million repayment of the remaining convertible notes, was $3.2 million less than in the prior year. Cash and term deposits totaled $126.7 million at November 30, 2015.

Outlook

Our goals for 2016 include:

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

We do not currently generate operating cash flows. At November 30, 2015, we had cash and cash equivalents of $41.7 million and term deposits of $85.0 million. At present, we believe that these balances are sufficient to cover the anticipated funding at the Donlin Gold and Galore Creek projects in addition to general and administrative costs through completion of permitting at the Donlin Gold project. Additional capital will be necessary if permits are received at the Donlin Gold project and a decision to commence engineering and construction is reached. Future financings to fund construction are anticipated through debt, equity, project specific debt, and/or other means. Our continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. However, there can be no assurance that we will be successful in our efforts to raise additional capital.

In 2016, we expect to spend approximately $25 million, including $9 million to fund our share of expenditures at the Donlin Gold project and $1 million at the Galore Creek project, $1 million for our share of joint Donlin Gold project studies with Barrick, $12 million for general and administrative costs and $2 million for working capital and other corporate purposes.

Summary of Consolidated Financial Performance

	Years ended November 30,		
($ thousands, except per share)	2015	2014	2013
Loss from operations	$(31,696)	$(38,008)	$(55,776)
Net loss	$(31,952)	$(40,484)	$(62,760)
Net loss per common share			
Basic and diluted	$(0.10)	$(0.13)	$(0.20)

Results of Operations

2015 compared to 2014

Loss from operations decreased $6.3 million from $38.0 million in 2014 to $31.7 million in 2015. The decrease resulted from lower general and administrative expense and lower losses from equity investments in the Donlin Gold and Galore Creek projects. General and administrative expense decreased $2.2 million, primarily due to lower professional fees and favorable foreign exchange translation of expenses incurred in Canadian dollars. Our share of losses at the Donlin Gold project decreased by $3.0 million, as 2015 activities continued to focus primarily on permitting. At the Galore Creek project, our share of losses decreased by $1.5 million due to reduced activity and a gain on the sale of surplus equipment. Evaluation expense includes $0.4 million for the Company's share of the Donlin Gold project joint studies with Barrick.

Net loss decreased from $40.5 million ($0.13 per share – basic and diluted) in 2014 to $32.0 million ($0.10 per share – basic and diluted) in 2015. The decrease resulted primarily from the $6.3 million reduction in the loss from operations in 2015 compared to 2014. Interest expense decreased by $1.7 million primarily due to the repayment of the remaining $15.8 million of convertible notes in 2015.

2014 compared to 2013

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

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

Liquidity, Capital Resources and Capital Requirements

	Years ended November 30,		
($ thousands)	2015	2014	2013
Cash used in operations	$(11,426)	$(9,808)	$(19,491)
Cash used in investing activities	$(964)	$(967)	$(128,846)
Cash used in financing activities	$(15,829)	$—	$(24,812)

	At November 30,		
($ thousands)	2015	2014	Change
Cash and cash equivalents	$41,731	$70,325	$(28,594)
Term deposits	$85,000	$95,000	$(10,000)

During 2015, cash and cash equivalents decreased by $28.6 million and term deposits decreased by $10.0 million. The total decrease in cash and term deposits of $38.6 million was primarily related to the repayment of $15.8 million of the remaining convertible notes, $11.4 million used in operating activities for administrative costs and interest payments and $11.0 million to fund our share of the Donlin Gold and Galore Creek projects.

During 2014, cash and cash equivalents decreased by $10.9 million and term deposits decreased by $15.0 million. The total decrease in cash and term deposits of $25.9 million was primarily related to $9.8 million used in operating activities for administrative costs and interest payments and $15.9 million to fund our share of the Donlin Gold and Galore Creek projects.

The U.S. dollar denominated term deposits are held at two Canadian chartered banks. We have sufficient working capital available to advance the Donlin Gold project through the expected remaining permitting process.

2015 compared to 2014

Cash used in operations increased by $1.6 million, primarily due to working capital reductions in 2014, partially offset by lower office expenses and professional fees. Cash used to fund affiliates decreased by $5.0 million due to the timing of funding requirements at DGLLC and the sale of surplus equipment at Galore Creek. Term deposits decreased by $10.0 million in 2015 compared to a decrease of $15.0 million in 2014. Cash used in financing activities in 2015 included the repayment of the remaining $15.8 million of convertible notes.

2014 compared to 2013

Cash used in operations decreased by $9.7 million due to a reduction in corporate overhead and administrative costs, a reduction in working capital and lower interest payments due to the repurchase of convertible notes in 2013. Cash used in investing activities to fund our share of the Donlin Gold and Galore Creek projects decreased by $2.8 million in 2014 due to continued permitting activities at the Donlin Gold project and no exploration program in 2014 at the Galore Creek project. Term deposits decreased by $15.0 million in 2014 compared to an increase of $110.0 million in 2013. There was no cash used in financing activities in 2014. In 2013, financing activities included the repurchase of $79.2 million of our convertible notes, partially offset by the receipt of $54.4 million in net proceeds from the exercise of all outstanding warrants.

Contractual Obligations

Our contractual obligations as of November 30, 2015 were as follows:

($ thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Reclamation and remediation	$451	$451	$—	$—	$—
Office and equipment leases	762	385	377	—	—
Promissory note	80,261	—	—	—	80,261
Total	$81,474	$836	$377	$—	$80,261

Off-Balance Sheet Arrangements

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

Outstanding share data

As of January 20, 2016, we had 319,323,874 common shares issued and outstanding. As of January 20, 2016, we had 21,656,567 stock options with a weighted-average exercise price of C$4.63, 2,619,150 performance share units and 254,701 deferred share units outstanding. Upon exercise of the foregoing convertible securities, the Company would be required to issue a maximum of 25,839,993 common shares.

Related party transactions

The Company provided management services to DGLLC for $nil in 2015, $235,000 in 2014 and $258,000 in 2013; office rental and services to Galore Creek Partnership for $349,000 in 2015, $398,000 in 2014 and $423,000 in 2013; and management and office administration services to NovaCopper Inc. for $nil in 2015, $nil in 2014 and $168,000 in 2013.

As of November 30, 2015, the Company has accounts receivable from Galore Creek Partnership of $28,000 (2014: $32,000) included in other current assets and $3,546,000 (2014: $4,139,000) included in other long-term assets.

Fourth quarter results

During the fourth quarter of 2015, we incurred a net loss of $7.2 million compared to a net loss of $7.1 million for the comparable period in 2014. Lower general and administrative expense, interest expense and equity losses from DGLLC and Galore Creek Partnership in the fourth quarter of 2015 compared to the fourth quarter of 2014 were offset by foreign exchange gains in the fourth quarter of 2014.

Accounting Developments

For a discussion of recently issued accounting pronouncements, see note 2 to the consolidated financial statements.

Critical Accounting Policies

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

Investment in affiliates

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

DGLLC and Galore Creek Partnership are non-publicly traded equity investees in exploration and development projects. Therefore, we assessed whether there has been a potential impairment triggering event for other-than-temporary impairment by testing the underlying assets of the equity investee for recoverability and assessing whether there has been a change in the development plan or strategy for the project. If we determine that the underlying assets are recoverable and no other potential impairment conditions are identified, then the investment in the equity investee is carried at cost. If the underlying assets are not recoverable, we will record an impairment charge equal to the difference between the carrying amount of the investee and its fair value.

During 2015, there was a significant decline in the price of copper in U.S. dollars. A sustained decline in the long-term copper price is deemed to be an indicator of possible impairment for the Company's investment in Galore Creek Partnership. The Canadian dollar is the functional currency for the Company's Canadian operations and therefore the Company assesses whether there has been a potential impairment triggering event related to copper prices in Canadian dollars. Due to the substantial strengthening of the U.S. dollar in relation to the Canadian dollar, there has not been a significant decline in the price of copper in Canadian dollar terms and therefore is not currently an indicator of possible impairment.

The strengthening of the U.S. dollar in relation to the Canadian dollar resulted in the Company's investment in the Galore Creek Partnership decreasing by $40.6 million, $21.9 million and $21.3 million during 2015, 2014 and 2013, respectively. The amounts are included in foreign currency translation adjustments and other comprehensive loss.

Mineral properties and exploration and evaluation expenditures

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

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

The Company reviews and evaluates its mineral properties for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. A sustained decline in the long-term copper price is deemed to be an indicator of possible impairment for our 40% direct investment in the Copper Canyon mineral property. Due to the substantial strengthening of the U.S. dollar in relation to the Canadian dollar, there has not been a significant decline in the price of copper in Canadian dollar terms and therefore is not currently an indicator of possible impairment.

The strengthening of the U.S. dollar in relation to the Canadian dollar resulted in our 40% direct interest in the Copper Canyon mineral property decreasing by $7.3 million, $3.9 million and $4.3 million during 2015, 2014 and 2013, respectively. The amounts are included in foreign currency translation adjustments and other comprehensive loss.

Income taxes

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

Share-based compensation

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

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

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

Quantitative and Qualitative Disclosures about Market Risk

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

Currency risk

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

We have not hedged our exposure to currency fluctuations. At November 30, 2015, we are exposed to currency risk through our investment in the Galore Creek project, mineral properties, deferred income taxes and cash balances held in Canadian dollars.

Based on the above net exposures as at November 30, 2015, and assuming that all other variables remain constant, a $0.01 appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of approximately $3.1 million in our consolidated comprehensive income (loss).

Credit risk

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

Interest rate risk

The interest rate on the promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as at November 30, 2015, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of $0.8 million in the interest accrued on the promissory note per annum.

NYSE MKT Option Disclosure

As of December 1, 2014, there were 12,150,014 stock options available for grant pursuant to our 2004 Stock Award Plan, as amended, and as of November 30, 2015, there were 13,941,161 stock options available for grant. No outstanding stock option grants were repriced for any reason during fiscal year 2015.

Directors, Executive Officers and Corporate Governance

The following sets forth certain information with respect to our current directors and executive officers.

Name, Position	Principal Occupation	Principal Business of Employer
Sharon Dowdall	Corporate Director, Consultant	Mining / Consulting
Dr. Marc Faber	Managing Director of Marc Faber Ltd.	Investment advisory and asset management
Dr. Thomas Kaplan	Chairman and Chief Investment Officer of the Electrum Group LLC	Investment advisory and asset management
Gregory Lang	President and Chief Executive Officer of NOVAGOLD RESOURCES INC.	Mining
Gillyeard Leathley	Corporate Director, Consultant	Mining / Consulting
Igor Levental	President of The Electrum Group LLC	Investment advisory and asset management
Kalidas Madhavpeddi	President of Azteca Consulting LLC and overseas Chief Executive Officer of China Molybdenum Co. Ltd.	Consulting / Mining
Gerald McConnell	Chief Executive Officer of Namibia Rare Earths Inc.	Mining
Clynton Nauman	President and Chief Executive Officer of Alexco Resource Corp.	Mining
Rick Van Nieuwenhuyse	President and Chief Executive Officer of NovaCopper Inc.	Mining
Anthony Walsh	Corporate Director	Mining
David Deisley	Executive Vice President, General Counsel and Corporate Secretary, NOVAGOLD RESOURCES INC.	Mining
David Ottewell	Vice President and Chief Financial Officer, NOVAGOLD RESOURCES INC.	Mining

Financial Statements and Supplementary Financial Information

Financial Statements

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

Supplementary Financial Information

For the required supplementary financial information, please see note 22 to our audited consolidated financial statements included in this annual report.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Cautionary Note Regarding Forward-Looking Statements

This annual report includes certain “forward-looking information” and “forward-looking statements” (collectively “forward-looking statements”) within the meaning of applicable securities legislation, including the United States Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included herein including, without limitation, the timing of permitting and potential development of the Donlin Gold project, statements relating to NOVAGOLD’s future operating and financial performance, and the potential sale of all or part of NOVAGOLD’s interest in Galore Creek Partnership and the statement included under the section titled “Outlook” are forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, and similar expressions, or statements that events, conditions, or results “will”, “may”, “could”, or “should” occur or be achieved. Forward-looking statements involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from NOVAGOLD’s expectations include the uncertainties involving the need for and availability of additional financing to explore and develop; uncertainties involved in the estimation of reserves and resources; the need for continued cooperation with Barrick and Teck; the need for cooperation of government agencies and native groups in the development and operation of our properties; the need to obtain permits and governmental approvals; risks of construction and mining projects such as accidents, equipment breakdowns, bad weather, non-compliance with environmental and permit requirements, unanticipated variation in geological structures, ore grades or recovery rates; unexpected cost increases, which could include significant increases in estimated capital and operating costs; fluctuations in metal prices and currency exchange rates; and other risk and uncertainties disclosed in NOVAGOLD’s Annual Report filed on Form 10-K for the year-ended November 30, 2015, filed with the United States Securities and Exchange Commission. NOVAGOLD’s forward-looking statements reflect the beliefs, opinions and projections on the date the statements are made. NOVAGOLD assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

Report of Independent Registered Public Accounting Firm

To the Shareholders of NOVAGOLD RESOURCES INC.

We have audited the accompanying consolidated balance sheets of NOVAGOLD RESOURCES INC. (NOVAGOLD or the Company) as of November 30, 2015 and November 30, 2014 and the related consolidated statements of loss and comprehensive loss, cash flows and equity for each of the years in the three-year period ended November 30, 2015. We also have audited NOVAGOLD's internal control over financial reporting as of November 30, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our integrated audits.

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NOVAGOLD as of November 30, 2015 and 2014 and the results of its operations and its cash flows for each of the years in the three-year period ended November 30, 2015 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, NOVAGOLD maintained, in all material respects, effective internal control over financial reporting as of November 30, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
Canada

January 27, 2016

CONSOLIDATED BALANCE SHEETS

	At November 30,	
	2015	2014
	(in thousands)	
ASSETS		
Cash and cash equivalents	$41,731	$70,325
Term deposits	85,000	95,000
Other assets (note 7)	3,310	3,735
Current assets	130,041	169,060
Investment in Donlin Gold (note 4)	1,058	1,618
Investment in Galore Creek (note 5)	242,906	283,247
Mineral property (note 6)	43,605	50,897
Deferred income taxes (note 14)	9,711	11,445
Other assets (note 7)	6,263	8,279
Total assets	$433,584	$524,546
LIABILITIES		
Accounts payable and accrued liabilities	$3,066	$3,489
Convertible notes (note 8)	—	15,112
Other liabilities	451	625
Current liabilities	3,517	19,226
Promissory note (note 9)	80,261	76,153
Deferred income taxes (note 14)	20,510	24,051
Total liabilities	104,288	119,430
Commitments and contingencies (note 20)		
EQUITY		
Common shares		
Authorized – 1,000 million shares, no par value		
Issued and outstanding – 317.9 and 317.3 million shares, respectively	1,938,262	1,936,336
Contributed surplus	80,774	74,038
Accumulated deficit	(1,672,055)	(1,640,103)
Accumulated other comprehensive income (loss)	(17,685)	34,845
Total equity	329,296	405,116
Total liabilities and equity	$433,584	$524,546

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

Approved by the Board of Directors

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Years ended November 30,		
	2015	2014	2013
	(in thousands, except per share)		
Operating expenses:			
Equity loss - Donlin Gold (note 4)	$11,016	$13,985	$14,620
Equity loss - Galore Creek (note 5)	392	1,941	13,352
General and administrative (note 11)	19,887	22,046	26,991
Evaluation	366	—	—
Depreciation	35	36	37
Write-down of assets (note 12)	—	—	776
	31,696	38,008	55,776
Loss from operations	(31,696)	(38,008)	(55,776)
Other income (expense) (note 13)	(103)	(2,213)	(3,088)
Loss before income taxes	(31,799)	(40,221)	(58,864)
Income tax expense (note 14)	(153)	(263)	(3,896)
Net loss	(31,952)	(40,484)	(62,760)
Other comprehensive loss:			
Unrealized losses on marketable equity securities			
Unrealized holding losses during period	(227)	(288)	(855)
Reclassification adjustment for losses included in net income (note 17)	426	—	2,738
Net unrealized gain (loss), net of $(2), $14 and $32 tax recovery (expense)	199	(288)	1,883
Foreign currency translation adjustments	(52,729)	(29,371)	(34,687)
Other comprehensive loss	(52,530)	(29,659)	(32,804)
Comprehensive loss	(84,482)	$(70,143)	$(95,564)
Net loss per common share			
Basic and diluted	$(0.10)	$(0.13)	$(0.20)
Weighted average shares outstanding			
Basic and diluted	317,850	317,203	313,372

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended November 30,		
	2015	2014	2013
		(in thousands)	
Operating activities:			
Net loss	$(31,952)	$(40,484)	$(62,760)
Adjustments to reconcile net loss to net cash used in operating activities:			
Equity losses of affiliates	11,408	15,926	27,972
Share-based compensation	9,488	10,197	12,304
Interest on promissory note	4,108	4,425	3,622
Accretion of convertible notes	717	1,542	5,101
Depreciation	35	36	37
Deferred income taxes	(2)	74	3,606
Write-down of investments	426	—	3,227
Write-down of assets	—	—	776
Foreign exchange gain	(4,771)	(3,688)	(10,448)
Other	(515)	(373)	(721)
Withholding tax on share-based compensation	(827)	(636)	(619)
Net change in operating assets and liabilities (note 18)	459	3,173	(1,588)
Net cash used in operations	(11,426)	(9,808)	(19,491)
Investing activities:			
Proceeds from term deposits	135,000	215,000	—
Purchases of term deposits	(125,000)	(200,000)	(110,000)
Funding of affiliates	(10,964)	(15,946)	(18,793)
Other	—	(21)	(53)
Net cash used in investing activities	(964)	(967)	(128,846)
Financing activities:			
Proceeds from share issuance, net	—	—	54,359
Repayment of debt	(15,829)	—	(79,171)
Net cash provided from (used in) financing activities	(15,829)	—	(24,812)
Effect of exchange rate changes on cash	(375)	(162)	(256)
Decrease in cash and cash equivalents	(28,594)	(10,937)	(173,405)
Cash and cash equivalents at beginning of period	70,325	81,262	254,667
Cash and cash equivalents at end of period	$41,731	$70,325	$81,262

See note 21 for supplemental cash flow information.

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

CONSOLIDATED STATEMENTS OF EQUITY

	Common shares		Contributed	Accumulated	Accumulated other comprehensive	Total
	Shares	Amount	surplus	deficit	income (loss)	equity
	(in thousands)					
November 30, 2012	279,927	$1,462,102	$454,260	$(1,536,859)	$97,308	$476,811
Net loss	—	—	—	(62,760)	—	(62,760)
Other comprehensive loss	—	—	—	—	(32,804)	(32,804)
Warrants exercised	36,529	469,150	(397,052)	—	—	72,098
Share-based compensation and related share issuances	205	2,701	9,603	—	—	12,304
November 30, 2013	316,661	$1,933,953	$66,811	$(1,599,619)	$64,504	$465,649
Net loss	—	—	—	(40,484)	—	(40,484)
Other comprehensive loss	—	—	—	—	(29,659)	(29,659)
Share-based compensation and related share issuances	627	2,383	7,227	—	—	9,610
November 30, 2014	317,288	$1,936,336	$74,038	$(1,640,103)	$34,845	$405,116
Net loss	—	—	—	(31,952)	—	(31,952)
Other comprehensive loss	—	—	—	—	(52,530)	(52,530)
Share-based compensation and related share issuances	622	1,926	6,736	—	—	8,662
November 30, 2015	317,910	$1,938,262	$80,774	$(1,672,055)	$(17,685)	$329,296

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

NOTE 1 – THE COMPANY

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation

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

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

Use of estimates

The preparation of the Company's Consolidated Financial Statements in accordance with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions related to: estimates of gold and copper production that are the basis for future cash flow estimates utilized in impairment calculations; estimates of fair value for asset impairments (including impairments of mineral properties and investments); valuation allowances for deferred tax assets; environmental, reclamation and closure obligations; reserves for contingencies and litigation; and the fair value and accounting treatment of financial instruments including marketable equity securities and derivative instruments. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results will differ from these amounts estimated in these financial statements.

Principles of consolidation

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

The functional currency for the Company's Canadian operations is the Canadian dollar and the functional currency for the Company's U.S. operations is the U.S. dollar. Therefore, gains and losses on U.S. dollar denominated transactions and the effect of translating U.S. dollar denominated balances of Canadian operations are recorded in net loss.

Cash and cash equivalents

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

Term deposits

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

Investment in affiliates

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

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

Donlin Gold LLC and Galore Creek Partnership are non-publicly traded equity investees owning exploration and development projects. Therefore, the Company assesses whether there has been a potential impairment triggering event for other-than-temporary impairment by testing the underlying assets of the equity investee for recoverability and assessing whether there has been a change in the development plan or strategy for the project. If the Company determines that the underlying assets are recoverable and no other potential impairment conditions are identified, then the investment in the equity investee is carried at cost. If the underlying assets are not recoverable, the Company will record an impairment charge equal to the difference between the carrying amount of the investee and its fair value.

Mineral properties

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

The Company reviews and evaluates its mineral properties for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows.

Income taxes

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

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

Share-based payments

The Company operates a stock option plan and a performance share unit (PSU) plan under which the Company receives services from employees as consideration for equity instruments (options or shares) of the Company. The Company records share-based compensation awards exchanged for employee services at fair value on the date of the grant and expenses the awards in the consolidated statement of loss over the requisite employee service period. Share-based compensation expense includes an estimate for forfeitures. The fair values of stock options are determined using a Black-Scholes option pricing model. The fair values of PSUs are determined using a Monte Carlo valuation model. The Company's estimates may be impacted by certain variables including, but not limited to, stock price volatility, employee stock option exercise behaviors, additional stock option grants, estimates of forfeitures, the Company's performance and the Company's performance in relation to its peers.

The Company operates a deferred share unit (DSU) plan under which the Company receives services from its directors as consideration for equity instruments (shares) of the Company. Each DSU entitles the Company's directors to receive one common share of the Company when they retire from the Company. The fair value of the DSUs is measured at the date of the grant in amounts ranging from 50% to 100% of the directors' annual retainers at the election of the directors. The fair value is recognized in the consolidated statement of loss over the related service period.

Net income (loss) per common share

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

Recently adopted accounting pronouncements

Presentation of Financial Statements – Going Concern

In August 2014, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) guidance was issued that explicitly requires management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosures in certain circumstances. The Company elected early adoption of the new standard applied prospectively. Application of the new guidance had no impact on the consolidated financial position, results of operations or cash flows.

Discontinued Operations

In April 2014, ASC guidance was issued related to Discontinued Operations which changed the criteria for determining which disposals can be presented as discontinued operations and modified related disclosure requirements. The updated guidance requires an entity to only classify dispositions as discontinued operations due to a major strategic shift or a major effect on an entity's operations in the financial statements. The updated guidance will also require additional disclosures relating to discontinued operations. The Company elected early adoption of the new standard. Application of the new guidance had no impact on the consolidated financial position, results of operations or cash flows.

Foreign Currency Matters

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

Disclosures about Offsetting Assets and Liabilities

In November 2011, ASC guidance was issued related to disclosures about offsetting assets and liabilities. The new guidance requires disclosures to allow investors to better compare financial statements prepared under US GAAP with financial statements prepared under International Financial Reporting Standards, as issued by the IASB (IFRS). In January 2013, an update was issued to further clarify that the disclosure requirements are limited to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (i) offset in the financial statements or (ii) subject to an enforceable master netting arrangement or similar agreement. Application of the new guidance had no impact on the consolidated financial position, results of operations or cash flows.

Recently issued accounting pronouncements

Consolidation – Amendments to the Consolidation Analysis

In February 2015, ASC guidance was issued to amend current consolidation guidance. The amendments affect both the variable interest entity and voting interest entity consolidation models. The need to assess an entity under a different consolidation model may change previous consolidation conclusions. The new guidance is effective for the Company's fiscal year beginning December 1, 2016. The Company is currently evaluating this guidance.

NOTE 3 – SEGMENTED INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Chief Executive Officer considers the business from a geographic perspective considering the performance of our investments in the Donlin Gold project in Alaska, U.S.A. and the Galore Creek project in British Columbia, Canada. Segment information is provided on each of the material projects individually in notes 4 and 5.

NOTE 4 – INVESTMENT IN DONLIN GOLD

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

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

	Years ended November 30,		
	2015	2014	2013
Balance – beginning of period	$1,618	$1,720	$4,185
Share of losses			
Mineral property expenditures	(10,845)	(13,811)	(14,412)
Depreciation	(171)	(174)	(208)
	(11,016)	(13,985)	(14,620)
Funding	10,456	13,883	12,155
Balance – end of period	$1,058	$1,618	$1,720

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

	At November 30,	
	2015	2014
Current assets: Cash, prepaid expenses and other receivables	$1,762	$2,294
Non-current assets: Property and equipment	232	403
Non-current assets: Mineral property	32,692	32,692
Current liabilities: Accounts payable and accrued liabilities	(936)	(1,079)
Non-current liabilities: Reclamation obligation	(692)	(692)
Net assets	$33,058	$33,618

NOTE 5 – INVESTMENT IN GALORE CREEK

The Galore Creek project is owned by Galore Creek Partnership (GCP), a partnership in which Teck and the Company each own a 50% interest. GCP has a board of four directors, with two members selected by Teck and two members selected by the Company. All significant decisions related to GCP require the approval of Teck and the Company.

GCP prepares its financial statements under International Financial Reporting Standards, as issued by the IASB and presents its financial statements in Canadian dollars. In accounting for its investment in GCP, the Company converts and presents reported amounts in accordance with US GAAP and in U.S. dollars.

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

	Years ended November 30,		
	2015	2014	2013
Balance – beginning of period	$283,247	$305,735	$335,086
Share of losses			
Mineral property expenditures	(147)	(442)	(4,580)
Care and maintenance expense	(884)	(1,499)	(2,444)
Gain on sale of equipment	639	—	—
Depreciation	—	—	(6,328)
	(392)	(1,941)	(13,352)
Funding	508	2,063	6,638
Exploration tax credit	107	(693)	(1,352)
Foreign currency translation	(40,564)	(21,917)	(21,285)
Balance – end of period	$242,906	$283,247	$305,735

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

	At November 30,	
	2015	2014
Current assets: Cash, prepaid expenses and other receivables	$497	$386
Non-current assets: Mineral property	218,532	254,991
Current liabilities: Accounts payable and accrued liabilities	(365)	(360)
Non-current liabilities: Payables and decommissioning liabilities	(7,162)	(8,268)
Net assets	$211,502	$246,749

NOTE 6 – MINERAL PROPERTY

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

NOTE 7 – OTHER ASSETS

	At November 30,	
	2015	2014
Other current assets:		
Accounts and interest receivable	$295	$137
Receivable from Galore Creek Partnership	28	32
Mineral exploration tax credit receivable	1,487	1,894
Note receivable	919	945
Prepaid expenses	581	727
	$3,310	$3,735
Other long-term assets:		
Note receivable	$939	$1,805
Marketable equity securities	571	901
Receivable from Galore Creek Partnership	3,546	4,139
Restricted cash – reclamation deposit	1,117	1,304
Office equipment	90	130
	$6,263	$8,279

NOTE 8 – CONVERTIBLE NOTES

On March 26, 2008, the Company issued $95,000 in 5.5% unsecured senior convertible notes ("Notes") maturing on May 1, 2015, for net proceeds of $92,200. Interest was payable semi-annually in arrears on May 1 and November 1 of each year, beginning November 1, 2008. On conversion, at the Company's election, holders of the Notes would receive cash or a combination of cash and shares.

On May 2, 2013, the Company purchased $72,821 of the principal amount of its Notes, pursuant to the terms and indenture governing the Notes which provided Holders the opportunity to require the Company to purchase for cash, all or a portion of their Notes (the "Put Option") on May 1, 2013. On September 16, 2013, the Company accepted Holders' offers to purchase another $6,350 of the principal amount of the Notes. The remaining $15,829 principal amount of the Notes was repaid on May 1, 2015.

As the conversion price of the Notes was denominated in U.S. dollars, a currency different from the functional currency of the Company, the conversion feature was an embedded derivative and separately recognized as a liability. This embedded derivative was recorded at fair value and re-measured each period with the movement being recorded as a gain or loss in Net loss. The fair value of the embedded derivative prior to the expiry of the Put Option was composed of the conversion feature of the Note and the Put Option. Subsequent to this date, until settlement at maturity, the measurement of the embedded derivative was based solely on the conversion feature.

As a result of the measurement of the embedded derivatives and the initial discount, the recorded liability to repay the Notes was lower than its face value. The effective Note discount, was charged to interest expense and accreted to the liability over the term of the Notes.

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

	Years ended November 30,		
	2015	2014	2013
Balance – beginning of period	$15,112	$13,570	$73,606
Accretion expense	717	1,542	5,101
Repayment or repurchases of Notes	(15,829)	—	(65,137)
Balance – end of period	$—	$15,112	$13,570

NOTE 9 – PROMISSORY NOTE

The Company has a promissory note payable to Barrick for $51,576, plus interest at a rate of U.S. prime plus 2%, amounting to $28,685 in accrued interest. The promissory note resulted from the agreement that led to the formation of Donlin Gold LLC, where the Company agreed to reimburse Barrick for a portion of their expenditures incurred from April 1, 2006 to November 30, 2007. The promissory note and accrued interest are payable from 85% of the Company's share of revenue from future mine production or from any net proceeds resulting from a reduction of the Company's interest in Donlin Gold LLC. The carrying value of the promissory note approximates fair value.

NOTE 10 – FAIR VALUE ACCOUNTING

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

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

	Fair value at November 30, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$571	$571	$—	$—

	Fair value at November 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Marketable equity securities	$901	$901	$—	$—

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

NOTE 11 – GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended November 30,		
	2015	2014	2013
Salaries	$6,164	$6,022	$6,067
Share-based compensation (note 15)	9,488	10,197	12,304
Office expense	2,090	2,626	4,462
Professional fees	693	1,806	2,889
Corporate communications and regulatory	1,452	1,395	1,269
	$19,887	$22,046	$26,991

NOTE 12 – WRITE-DOWN OF ASSETS

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

NOTE 13 – OTHER INCOME (EXPENSE)

	Years ended November 30,		
	2015	2014	2013
Interest income	$740	$854	$942
Interest expense	(5,188)	(6,838)	(12,607)
Foreign exchange gain	4,771	3,688	10,448
Write-down of investments	(426)	—	(3,227)
Gain on derivative liabilities	—	83	1,356
	$(103)	$(2,213)	$(3,088)

During 2015, the Company recognized impairments for other-than-temporary declines in value of $426 for marketable equity securities. During 2013, the Company recognized impairments for other-than-temporary declines in value of $2,738 for marketable equity securities and to write-off $489 of other investments, at cost. At November 30, 2015 all unrealized losses were in a continuous loss position for less than 12 months.

NOTE 14 – INCOME TAXES

The Company's Income tax expense consisted of:

	Years ended November 30,		
	2015	2014	2013
Current:			
Canada	$—	$—	$—
Foreign	155	189	290
	155	189	290
Deferred:			
Canada	(2)	74	3,606
Foreign	—	—	—
	(2)	74	3,606
Income tax expense	$153	$263	$3,896

The Company's Loss before income tax consisted of:

	Years ended November 30,		
	2015	2014	2013
Canada	$(14,775)	$(20,372)	$(42,077)
Foreign	(17,024)	(19,849)	(16,787)
	$(31,799)	$(40,221)	$(58,864)

Effective April 1, 2013 the British Columbia provincial corporate tax rate increased from 10% to 11%.

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

	Years ended November 30,		
	2015	2014	2013
Loss before income taxes	(31,799)	$(40,221)	$(58,864)
Combined federal and provincial statutory tax rate	26.00%	26.00%	25.67%
Income tax recovery based on statutory income tax rates	(8,268)	(10,457)	(15,110)
Increase (decrease) attributable to:			
(Non-deductible) taxable expenditures	3,175	3,339	2,913
Non-taxable unrealized gain (loss) on derivative financial instruments	—	—	615
Effect of different statutory tax rates on earnings of subsidiaries	(2,619)	(3,027)	(2,773)
Effect of statutory rate change	—	—	(1,916)
Effect of tax losses expired	3,878	1,424	—
Change in valuation allowance	4,480	9,357	20,248
Other	(493)	(373)	(81)
Income tax expense	$153	$263	$3,896

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

	At November 30,	
	2015	2014
Deferred tax income assets:		
Asset retirement obligation	$186	$257
Net operating loss carry forwards	212,619	214,594
Capital loss carry forwards	31,561	37,002
Mineral properties	16,596	19,524
Property and equipment	198	354
Investment in affiliates	43,315	42,343
Share issuance costs	776	1,327
Unpaid interest expense	4,458	4,458
Investment tax credit	2,938	3,429
Other	2,339	2,550
	314,986	325,838
Valuation allowances	(276,521)	(281,071)
	38,465	44,767
Deferred income tax liabilities:		
Investment in affiliates	(36,133)	(42,176)
Mineral properties	(11,315)	(13,208)
Capitalized assets & other	(1,052)	(1,102)
Unrealized gain on investments	—	(5)
Investment tax credit	(764)	(882)
	(49,264)	(57,373)
Net deferred income tax liabilities	$(10,799)	$(12,606)
Net deferred income tax asset, as presented in the balance sheet	$9,711	$11,445
Net deferred income tax liability, as presented in the balance sheet	$(20,510)	$(24,051)

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

Year of Expiry	U.S.	Canada
2024	$1,032	$—
2025	1,246	—
2026	13,382	24,498
2027	18,493	3,935
2028	85	519
2029	11,223	12,238
2030	10,916	17,607
2031	16,580	16,519
2032	306,333	28,940
2033	14,529	21,642
2034	15,606	10,021
2035	16,833	7,605
	$426,258	$143,524

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

Uncertain tax position

There were no unrecognized tax benefits at November 30, 2015, 2014 and 2013. The Company recognizes any interest and penalties related to uncertain tax positions, if any, as income tax expense. At November 30, 2015, 2014 and 2013, there were no interest and penalties related to uncertain tax positions. The Company is subject to income taxes in Canada and the United States. The Company is currently under audit by the Canada Revenue Agency regarding transactions undertaken by one of the Company's Canadian subsidiaries. The Company is currently under audit by the Internal Revenue Service regarding one of its U.S. subsidiaries. With few exceptions, the tax years that remain subject to examination as of November 30, 2015 are 2008 to 2015 in Canada and 1998 to 2015 in the United States.

The Company has recognized $9,711 (2014: $11,445, 2013: $9,728) of deferred tax assets that are dependent on the reversal of existing taxable temporary differences. The Company has suffered a loss in the current and prior period in the tax jurisdictions to which the deferred tax assets relate. The Company has undertaken a tax planning strategy in the current and prior period to merge Canadian entities when required to access the deferred tax assets to offset future increases in taxable income of the Canadian entities.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax asset. Significant pieces of objective negative evidence evaluated included the cumulative loss incurred as at November 30, 2015 and the decline in metal prices. Such objective evidence limits the ability to consider other subjective evidence such as managements' projections for future growth. On the basis of this evaluation, as of November 30, 2015, a valuation allowance of $276,521 (2014: $281,071, 2013: $276,630) inclusive of valuation allowance for investment tax credits has been recorded in order to measure only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable; however, could be adjusted if estimates of future taxable income during the carry forward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as management's projections for growth.

NOTE 15 – SHARE-BASED COMPENSATION

Share incentive awards include a stock option plan for directors, executives and eligible employees, a PSU plan for executives and eligible employees and a DSU plan for directors of the Company. Options granted to purchase common shares have exercise prices not less than the fair market value of the underlying share at the date of grant. At November 30, 2015, 23.2 million common shares were available for future share incentive plan awards.

The Company recognized share-based compensation as follows:

	Years ended November 30,		
	2015	2014	2013
Stock options	$4,736	$6,062	$8,135
Performance share unit plan	4,537	3,944	3,935
Deferred share unit plan	215	191	234
	$9,488	$10,197	$12,304

At November 30, 2015, the non-vested stock option and PSU expense not recognized was $2,653 (2014: $3,877) to be recognized over the next two years.

Stock options

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

	Years ended November 30,		
	2015	2014	2013
Share price (C$)	3.18	2.90	4.40
Average risk-free interest rate	1.06%	1.18%	1.07%
Exercise price (C$)	3.18	2.90	4.40
Expected life (years)	3	3	3
Expected volatility	60%	60%	56%
Expected dividends	Nil	Nil	Nil
Fair value per share of options granted (C$)	1.28	1.18	1.72

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

	2015		2014		2013	
	Number of shares (thousands)	Weighted average exercise price (C$)	Number of shares (thousands)	Weighted average exercise price (C$)	Number of shares (thousands)	Weighted average exercise price (C$)
Outstanding at beginning of year	15,219	5.47	15,223	6.54	13,903	7.08
Granted	4,360	3.18	6,109	2.90	3,218	4.40
Exercised	(393)	3.46	(1,285)	2.24	(121)	2.23
Forfeited and expired	(1,336)	7.38	(4,828)	6.45	(1,777)	7.22
Outstanding at end of year	17,850	4.81	15,219	5.47	15,223	6.54
Exercisable at year-end	14,092		11,644		12,715	

At November 30, 2015, there were 3,758,000 (2014: 3,575,000) unvested options outstanding with a weighted average exercise price of C$3.07 (2014: C$3.15). During the year ended November 30, 2015, 4,177,000 (2014: 4,636,000) options vested.

The following table summarizes information about stock options outstanding and exercisable at November 30, 2015:

	Stock options - issued and outstanding			Stock options - exercisable	
Range of price (C$)	Number of outstanding options (thousands)	Weighted average years to expiry	Weighted average exercise price (C$)	Number of exercisable options (thousands)	Weighted average exercise price (C$)
2.90 to 3.99	10,168	3.48	3.02	6,411	2.99
4.00 to 5.99	4,138	1.93	4.59	4,138	4.59
6.00 to 7.99	800	1.45	6.36	800	6.36
10.00 to 11.99	1,712	0.96	10.24	1,711	10.24
12.00 to 13.99	932	0.12	13.02	932	13.02
14.00 to 14.82	100	1.50	14.82	100	14.82
	17,850	2.60	4.81	14,092	5.28

Performance share units

The Company has a PSU plan that provides for the issuance of PSUs in amounts as approved by the Company's Compensation Committee. Each PSU entitles the participant to receive a common share of the Company at the end of a specified period. The Compensation Committee may adjust the number of common shares for the achievement of certain performance and vesting criteria. The actual performance against each of these criteria generates a multiplier that varies from 0% to 150%. Thus, the common shares that may be issued vary between 0% and 150% of the number of PSUs granted, as reduced by the amounts for participants no longer with the Company on vesting date. For the year ended November 30, 2015, the PSUs vested with a multiplier of 137% (2014: 85%; 2013: 70%).

The value of each PSU granted is estimated at the grant date using a Monte Carlo simulation model. The Monte Carlo simulation model requires the input of subjective assumptions, including the share price volatility of the Company's stock, as well as comparator group companies and the correlation of returns between the comparator companies and the Company. Expected volatility is based on the historical volatility of the Company's shares and the comparator group companies shares at the grant date. These estimates involve inherent uncertainties and the application of management's judgment. As a result, if other assumptions had been used, our recorded share-based compensation expense would have been different from that reported. For the year ended November 30, 2015, the estimated fair value per share of PSUs granted was C$3.86 (2014: C$3.18; 2013: C$4.58).

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

	Years ended November 30,		
	2015	2014	2013
Outstanding at beginning of year	2,422,150	1,268,450	805,300
Granted	1,377,250	1,819,700	706,150
Vested	(846,180)	(546,380)	(167,735)
Performance adjustment	228,530	(96,420)	(72,765)
Forfeited	—	(23,200)	(2,500)
Outstanding at end of year	3,181,750	2,422,150	1,268,450

The PSUs outstanding at November 30, 2015 are scheduled to vest over the next two years.

For the year ended November 30, 2015, the Company recognized a share-based compensation charge against income of $4,537 (2014: $3,944; 2013: $3,935) for PSUs. Under the PSU plan, the Company issued 506,175 common shares in 2015 (2014: 329,645; 2013: 96,467). The difference between the PSUs vested and the common shares issued were settled in cash to cover employee withholding taxes.

Deferred share units

The Company has a DSU plan that provides for the issuance of DSUs in amounts where the Directors receive half of their annual retainer in DSUs and have the option to elect to receive all or a portion of the other half of their annual retainer in DSUs. Each DSU entitles the Directors to receive one common share when they retire from the Company.

For the year ended November 30, 2015, the Company recognized a share-based payment charge against income of $215 (2014: $191; 2013: $234) for the DSUs granted to Directors during the year. Under the DSU plan, the Company issued nil common shares in 2015 and 2014, and 7,750 common shares in 2013. The common shares were issued at the date of the DSU vesting and the valuation was deemed to be the opening TSX common share price on the vesting date.

NOTE 16 – SHARE CAPITAL

Common shares

The Company is authorized to issue 1,000,000,000 common shares without par value, of which 317,910,000 were issued and outstanding as of November 30, 2015 and 317,288,000 were issued and outstanding as of November 30, 2014.

Preferred shares

Pursuant to the Company's Notice of Articles filed under the Business Corporations Act (British Columbia), the Company is authorized to issue 10,000,000 preferred shares without par value. The authorized but unissued preferred shares may be issued in designated series from time to time by one or more resolutions adopted by the Directors. The Directors have the authority to determine the preferences, limitations and relative rights of each series of preferred shares. At November 30, 2015 and 2014, no preferred shares were issued or outstanding.

NOTE 17 – RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unrealized gain (loss) on marketable securities, net	Foreign currency translation adjustments	Total
November 30, 2014	$(104)	$34,949	$34,845
Change in other comprehensive income (loss) before reclassifications	(227)	(52,729)	(52,956)
Reclassifications from accumulated other comprehensive income (loss)	426	—	426
Net current-period other comprehensive income (loss)	199	(52,729)	(52,530)
November 30, 2015	$95	$(17,780)	$(17,685)

Details about accumulated other comprehensive income (loss) components:	Amount reclassified from accumulated other comprehensive income (loss)		
	2015	2014	2013
Marketable equity securities adjustments			
Impairment of marketable equity securities [1]	$426	$—	$2,738
Tax benefit (expense)	—	—	—
Net of tax	$426	$—	$2,738

[1] This accumulated other comprehensive income (loss) component is included in Other income (expense) in the Consolidated Statements of Loss.

NOTE 18 – CHANGE IN OPERATING ASSETS AND LIABILITIES

	Years ended November 30,		
	2015	2014	2013
Decrease (increase) in receivables and other assets	$908	$3,319	$(89)
Increase (decrease) in accounts payable and accrued liabilities	(275)	56	(1,231)
Decrease in other liabilities	(174)	(202)	(268)
	$459	$3,173	$(1,588)

NOTE 19 – RELATED PARTY TRANSACTIONS

The Company provided management services to Donlin Gold LLC for $nil in 2015, $235 in 2014 and $258 in 2013; office rental and services to Galore Creek Partnership for $349 in 2015, $398 in 2014 and $423 in 2013; and management and office administration services to NovaCopper Inc. for $nil in 2015 and 2014, and $168 in 2013.

As of November 30, 2015, the Company has accounts receivable from Galore Creek Partnership of $28 (2014: $32) included in other current assets and $3,546 (2014: $4,139) included in other long-term assets.

NOTE 20 – COMMITMENTS AND CONTINGENCIES

General

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

Obligations under operating leases

The Company leases certain assets, such as office equipment and office facilities, under operating leases expiring at various dates through 2018. Future minimum annual lease payments are $385 in 2016, $336 in 2017, $41in 2018, totaling $762.

NOTE 21 – SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended November 30,		
	2015	2014	2013
Interest received	$639	$643	$630
Interest paid	$435	$870	$3,164
Income taxes paid	$120	$432	$—

NOTE 22 – UNAUDITED SUPPLEMENTARY DATA

Quarterly data

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

	2015			
	Q1	Q2	Q3	Q4
Operating loss	$(11,286)	$(7,246)	$(6,579)	$(6,585)
Net loss	$(9,299)	$(9,184)	$(6,301)	$(7,168)
Loss per common share, basic and diluted	$(0.03)	$ (0.03)	$(0.02)	$(0.02)

	2014			
	Q1	Q2	Q3	Q4
Operating loss	$(11,333)	$(8,264)	$(10,755)	$(7,656)
Net loss	$(10,691)	$(10,681)	$(12,009)	$(7,103)
Loss per common share, basic and diluted	$(0.03)	$(0.03)	$(0.04)	$(0.02)

Significant after-tax items were as follows:

Fourth quarter 2015:	n/a
Third quarter 2015:	n/a
Second quarter 2015:	n/a
First quarter 2015:	Foreign exchange gain $3,463 ($0.01 per share, basic and diluted).
Fourth quarter 2014:	n/a
Third quarter 2014:	n/a
Second quarter 2014:	n/a
First quarter 2014:	Foreign exchange gain $2,449 ($0.01 per share, basic and diluted).