NOVAGOLD RESOURCES INC.

ANNUAL REPORT TO ACCOMPANY MANAGEMENT
INFORMATION CIRCULAR
FOR YEAR ENDED NOVEMBER 30, 2017

CORPORATE OFFICE
Suite 720 – 789 West Pender Street
Vancouver, British Columbia
Canada V6C 1H2
Tel: 604-669-6227 or 866-669-6227
Fax: 604-669-6272

EXECUTIVE OFFICE
201 South Main Street, Suite 400
Salt Lake City, Utah
USA 84111
Tel: 801-639-0511
Fax: 801-649-0509

Website: www.novagold.com

OVERVIEW

NOVAGOLD RESOURCES INC. ("NOVAGOLD," "we" or the "Company") operate in the gold mining industry, primarily focused on advancing permitting of the Donlin Gold project in Alaska. The Donlin Gold project is held by Donlin Gold LLC ("Donlin Gold"), a limited liability company owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick Gold Corporation ("Barrick"). We 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 a partnership 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. 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 we continued under the Business Corporations Act (British Columbia) effective as of June 10, 2013. The current addresses, telephone and facsimile numbers of our offices are:

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

Corporate office
789 West Pender Street, Suite 720
Vancouver, BC, Canada V6C 1H2
Toll free 1(866) 669-6227
Facsimile (604) 669-6272

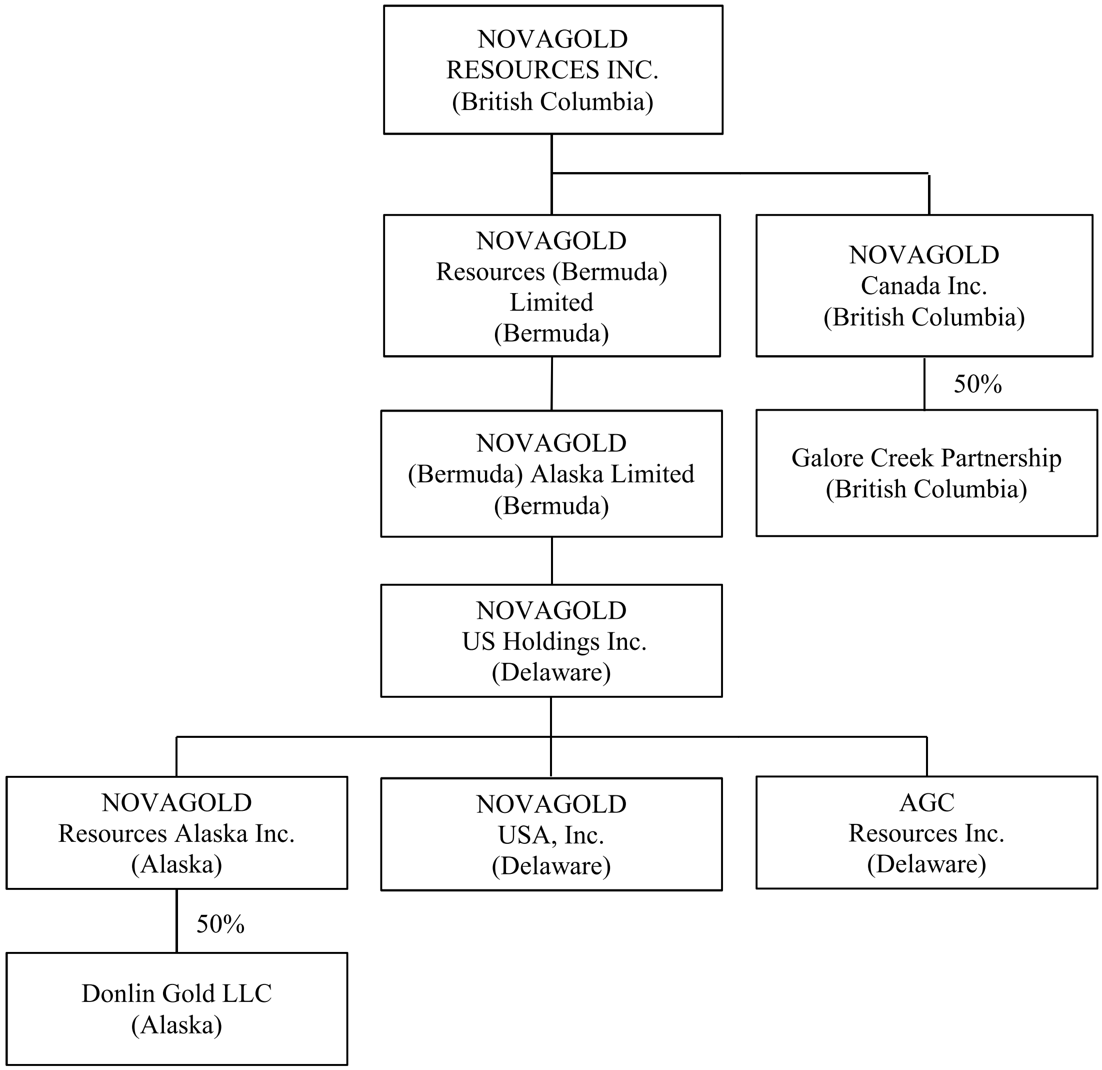
CURRENCY

References in this report to $ refer to United States currency and C$ to Canadian currency.

Corporate Structure

As of November 30, 2017, 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, 2017, 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

Our segments include the Donlin Gold project in Alaska, U.S.A. and the Galore Creek project in British Columbia, Canada. Our long-lived assets are geographically distributed as shown in the following table. We did not have revenue from operations in any of the periods shown below.

Long-lived assets

	At November 30,		
($ thousands)	2017	2016	2015
Canada	$303,130	$290,531	$291,765
United States	1,141	995	2,067
	$304,271	$291,526	$293,832

Recent Developments

Donlin Gold Project

Permitting activities continued at Donlin Gold in 2017 and were mainly focused on advancing major permits and approvals with state and federal agencies. The U.S. Army Corps of Engineers (the "Corps"), the lead federal agency for the Donlin Gold Environmental Impact Statement (EIS), completed the cooperating agency review of the preliminary final EIS. The EIS is required by the National Environmental Policy Act (NEPA), the act that governs the process by which most major projects in the United States are evaluated. The final EIS is required before the Corps can issue a record of decision on Donlin Gold's Clean Water Act Section 404 (wetland) and Section 10 (rivers and harbors) permit application. The Corps anticipates publishing the final EIS in early 2018, with a record of decision expected in the second half of 2018. All Donlin Gold EIS documents, including 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, Donlin Gold continues to work simultaneously with the Corps and other permitting agencies to advance major permits. Donlin Gold 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.

In 2017, Donlin Gold conducted a 16 hole, 7,040 meter core drilling program in support of ongoing engineering and optimization efforts.

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

Galore Creek Project

During 2017, efforts were focused on site care and maintenance. We continue to be open to monetizing, in whole or in part, our 50% share of the Galore Creek project to strengthen our balance sheet and to contribute toward the development of the Donlin Gold project.

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

Reclamation

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

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

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

Seasonality

Our business is seasonal as our mineral exploration and development activities take place in southwestern Alaska 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
2013	$1,694	$1,192	$1,411
2014	$1,385	$1,142	$1,266
2015	$1,296	$1,049	$1,160
2016	$1,366	$1,077	$1,251
2017	$1,346	$1,151	$1,257
2018 (to January 17)	$1,339	$1,311	$1,322

Data Source: www.kitco.com

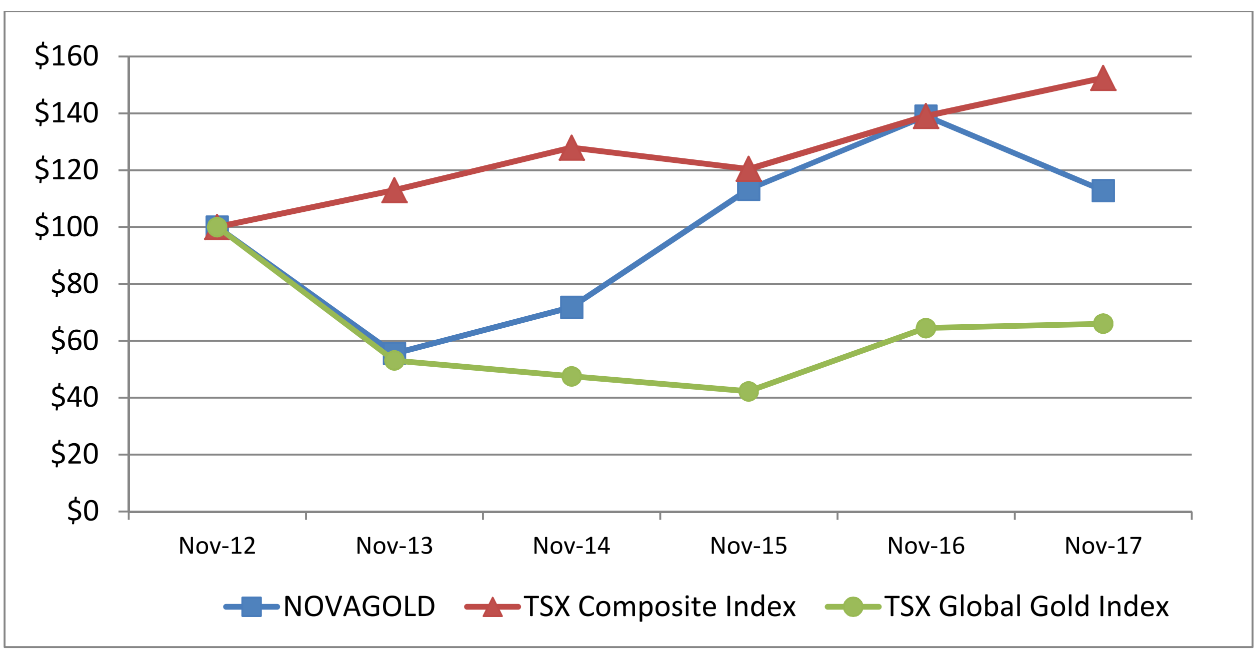
Market Information

Our common shares trade on the New York Stock Exchange (NYSE American) and on the Toronto Stock Exchange (TSX) under the symbol "NG." On January 17, 2018, there were 640 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 high and low closing prices per share of our common shares on the NYSE American and TSX for the periods indicated.

		NYSE American (US$)		TSX (C$)	
Fiscal Year	Quarter	High	Low	High	Low
2017	Fourth	4.60	3.82	5.62	4.88
	Third	4.81	3.93	6.30	5.06
	Second	5.49	3.87	7.33	5.21
	First	6.14	3.85	8.04	5.24
2016	Fourth	6.01	4.05	7.69	5.36
	Third	7.27	5.15	9.53	6.76
	Second	6.49	4.82	8.26	6.47
	First	4.96	3.54	6.73	5.17

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, 2012, 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, 2012. 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$	2013	2014	2015	2016	2017
Value based on C$100 invested in the Company on November 30, 2012	56	72	113	139	113
Value based on C$100 invested in the S&P/TSX Composite Index on November 30, 2012	113	128	120	139	152
Value based on C$100 invested in the S&P/TSX Global Gold Index on November 30, 2012	53	48	42	65	66

Dividends

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

Selected Financial Data

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

(dollars in thousands, except per share)	Years ended November 30, 2016	2015	2014	2013	2012
Loss from operations	$(30,147)	$(31,696)	$(38,008)	$(55,776)	$(79,942)
Loss from continuing operations	$(33,846)	$(31,952)	$(40,484)	$(62,760)	$(7,586)
Net loss from discontinued operations	$—	$—	$—	$—	$(4,243)
Net loss attributable to shareholders	$(33,846)	$(31,952)	$(40,484)	$(62,760)	$(11,829)
Loss per common share:					
Basic:					
Continuing operations	$(0.11)	$(0.10)	$(0.13)	$(0.20)	$(0.03)
Discontinued operations	—	—	—	—	(0.02)
	$(0.11)	$(0.10)	$(0.13)	$(0.20)	$(0.05)
Diluted:					
Continuing operations	$(0.11)	$(0.10)	$(0.13)	$(0.20)	$(0.03)
Discontinued operations	—	—	—	—	(0.02)
	$(0.11)	$(0.10)	$(0.13)	$(0.20)	$(0.05)

	As of November 30, 2016	2015	2014	2013	2012
Total assets	$408,261	$433,584	$524,546	$578,686	$685,242
Long-term liabilities	$104,947	$100,771	$100,204	$108,684	$94,907
Shareholders' equity	$300,263	$329,296	$405,116	$465,649	$476,811

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, 2016, 2015 and 2014. 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 2017, 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 Donlin Gold in 2017 and were focused on advancing major permits and approvals with state and federal agencies. The U.S. Army Corps of Engineers (the "Corps"), the lead federal agency for the Donlin Gold Environmental Impact Statement (EIS), anticipates that the final EIS will be published in early 2018. The final EIS is required before the Corps can issue a record of decision on Donlin Gold's Clean Water Act Section 404 (wetland) and Section 10 (rivers and harbors) permit application. The Corps anticipates issuing the record of decision in the second half of 2018. All Donlin Gold EIS documents, including the Corps' time table for the Donlin Gold EIS process, can be found on their website at www.donlingoldeis.com.

The EIS is required by the National Environmental Policy Act (NEPA), the act that governs the process by which most major projects in the United States are evaluated. The EIS is also, in large part, a determining factor in the overall permitting timeline which commenced in 2012 for Donlin Gold. This document is comprised of four main sections which:

- Outline the purpose and need for the development of the proposed mine and the benefit it would bring to the stakeholders of Donlin Gold's Alaska Native Corporation partners, Calista Corporation ("Calista") and The Kuskokwim Corporation (TKC).
- Identify and analyze a reasonable range of alternatives to the mine development proposed by Donlin Gold which comprise variations on certain mine site facility designs, as well as local transportation and power supply options.
- Prepare 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.

Donlin Gold continues to advance other major permits and approvals, including:

- The final Prevention of Significant Deterioration permit was issued by the Alaska Department of Environmental Conservation (ADEC) on June 30, 2017;
- The release of the draft water discharge and integrated waste management permits for public comment by ADEC on December 15, 2017; and
- The majority of key State permits and approvals are scheduled to be finalized concurrent with the Corps' record of decision in 2018.

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

Donlin Gold remains actively engaged in extensive outreach efforts with local stakeholders, through multiple traditional village council meetings, regional tribal gatherings, and village visits across the Yukon-Kuskokwim (Y-K) region. Donlin Gold collaborated with Calista and TKC (owners of the mineral and surface rights, respectively) on grants, scholarships and community outreach efforts.

As the Donlin Gold EIS and permitting processes progress, the owners (Barrick and NOVAGOLD) continue to study ways to further enhance the project's value and reduce initial capital through enhanced project design and execution, engagement of third-party operators for certain activities, and potential for financing of some capital intensive infrastructure. A core drilling program was conducted in 2017 in support of ongoing optimization efforts. To date, these additional studies have identified opportunities that have the potential to benefit the project when the owners decide to update the Donlin Gold FS and to initiate the engineering work necessary to advance the project design from feasibility level to basic and then detailed engineering. Barrick and NOVAGOLD will take all of this work into account before reaching a construction decision.

Our share of funding for Donlin Gold in 2017 was $11.4 million, including $8.1 million for permitting and community engagement, and $3.3 million for the drill program and optimization efforts. Our share of the 2018 work program and budget includes $9 million to continue to advance the permitting process through issuance of the final EIS and Record of Decision, and $5 million to continue optimization efforts. In addition, Donlin Gold 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 Donlin Gold's expenses being recorded in the income statement as an operating loss. The investment amount recorded on the balance sheet primarily represents unused funds advanced to Donlin Gold.

Galore Creek project

In 2017, efforts were focused on site care and maintenance. We continue to be open to monetizing, in whole or in part, our 50% share of the Galore Creek project to strengthen our balance sheet and to contribute toward the development of the Donlin Gold project.

Our share of cash funding for Galore Creek was $1.6 million in 2017, primarily for care and maintenance, and supporting community initiatives. In 2018, our 50% share of the work program is expected to be approximately $3 million, primarily for site care and maintenance and to support community initiatives.

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 completion of the earn-in by Teck Resources Limited, as well as unused funds advanced to the Partnership, all in Canadian dollars, and translated to U.S. dollars at the current exchange rate.

Maintained our strong financial position

Cash and term deposits decreased by $21.3 million in 2017 and totaled $84.0 million at November 30, 2017.

Outlook

Our goals for 2018 include:

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

We do not currently generate operating cash flows. At November 30, 2017, we had cash and cash equivalents of $28.0 million and term deposits of $56.0 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 of the Donlin Gold project. Additional capital will be necessary if permits are received for 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. For further information, see section *Item 1A, Risk Factors - Our ability to continue the exploration, permitting, development, and construction of the Donlin Gold and Galore Creek projects, and to continue as a going concern, will depend in part on our ability to obtain suitable financing*, above.

In 2018, we expect to spend approximately $28 million, including $11 million for general and administrative costs, $14 million to fund our share of expenditures at the Donlin Gold project for permitting and optimization work and $3 million at the Galore Creek project, primarily for site care and maintenance.

Summary of Consolidated Financial Performance

	Years ended November 30,		
($ thousands, except per share)	2016	2015	2014
Loss from operations	$(30,147)	$(31,696)	$(38,008)
Net loss	$(33,846)	$(31,952)	$(40,484)
Net loss per common share			
Basic and diluted	$(0.11)	$(0.10)	$(0.13)

Summary of Consolidated Financial Performance

	Years ended November 30,		
($ thousands, except per share)	2017	2016	2015
Loss from operations	$(33,697)	$(30,147)	$(31,696)
Net loss	$(39,016)	$(33,846)	$(31,952)
Net loss per common share			
Basic and diluted	$(0.12)	$(0.11)	$(0.10)

Results of Operations

2017 compared to 2016

Loss from operations increased $3.6 million from $30.1 million in 2016 to $33.7 million in 2017. The increase resulted from the 2017 Donlin Gold drilling program ($3.3 million), increased care and maintenance activity at Galore Creek ($0.5 million), higher general and administrative costs ($0.6 million), partially offset by lower permitting costs at Donlin Gold ($0.9 million).

Net loss increased from $33.8 million ($0.11 per share – basic and diluted) in 2016 to $39.0 million ($0.12 per share – basic and diluted) in 2017. The $5.2 million increase resulted from the loss from operations ($3.6 million) and an increase in other expense ($1.2 million). Other expense increased due to higher interest expense on the Barrick promissory note ($0.7 million), foreign exchange movements ($0.7 million) and deferred income tax expense ($0.4 million) due to an increase in the British Columbia provincial income tax rate, partially offset by increased interest income on term deposits ($0.2 million).

2016 compared to 2015

Loss from operations decreased $1.5 million from $31.7 million in 2015 to $30.1 million in 2016. The decrease resulted from lower permitting costs at the Donlin Gold project ($2.2 million), partially offset by higher net costs at Galore Creek ($0.7 million) due to a gain on the sale of surplus equipment in 2015.

Net loss increased from $32.0 million ($0.10 per share – basic and diluted) in 2015 to $33.8 million ($0.11 per share – basic and diluted) in 2016. The $1.8 million increase resulted primarily from an increase in other expense ($3.3 million) and income tax expense ($0.1 million), partially offset by the reduction in the loss from operations ($1.6 million). Other expense was higher in 2016, as the prior year amount included foreign exchange gains related to the strengthening of the U.S. dollar in relation to the Canadian dollar ($4.8 million), partially offset by lower interest expense after the repurchase of the remaining convertible notes in 2015 ($0.6 million) and a write-down of marketable securities ($0.4 million) in 2015.

Liquidity, Capital Resources and Capital Requirements

	Years ended November 30,		
($ thousands)	2017	2016	2015
Cash provided from (used in):			
Operating activities	$(8,280)	$(7,421)	$(10,599)
Investing activities	$6,004	$268	$(964)
Financing activities	$(196)	$(4,275)	$(16,656)

	At November 30,		
($ thousands)	2017	2016	Change
Cash and cash equivalents	$27,954	$30,274	$(2,320)
Term deposits	$56,000	$75,000	$(19,000)

Spending for the Donlin Gold and Galore Creek projects, along with general and administrative costs totaled $23.5 million in 2017, and was lower than our 2017 outlook of $27 million, mainly due to lower than expected permitting and optimization work expenditures at Donlin Gold. The net change in cash and term deposits was also favorably impacted by higher interest income and working capital changes, resulting in a net decrease in cash and term deposits of $21.3 million.

The U.S. dollar denominated term deposits are held at Canadian chartered banks. We have sufficient working capital available for the next twelve-month period, including advancement of the Donlin Gold project through the expected remaining permitting process.

2017 compared to 2016

Cash used in operating activities increased by $0.9 million as the prior year benefited from the receipt of exploration tax credits related to Galore Creek. Cash provided from investing activities increased by $5.7 million as increased cash provided from term deposits ($9.0 million) were partially offset by increased cash used to fund Donlin Gold and Galore Creek ($3.3 million), primarily due to the 2017 Donlin Gold drill program. Cash used in financing activities decreased by $4.1 million, primarily due to lower withholding taxes paid on vested performance share units. The Company elected to deliver full shares to executives in the first quarter of 2017 to reduce the use of cash.

2016 compared to 2015

Cash used in operating activities decreased by $3.2 million primarily due to the receipt of exploration tax credits resulting from previous drilling programs at Galore Creek and lower interest payments due to the repurchase of convertible notes in 2015. Cash used in investing activities to fund our share of the Donlin Gold and Galore Creek projects decreased by $1.2 million in 2016 due to the timing of Donlin Gold funding requirements for permitting ($1.7 million), partially offset by the sale of surplus equipment at Galore Creek ($0.5 million) in 2015. Term deposits decreased by $10.0 million in each of 2016 and 2015. Cash used in finance activities decreased $12.4 million due to the 2015 repayment of convertible debt ($15.8 million), partially offset by higher withholding taxes on vested performance share units ($3.5 million).

Contractual Obligations

Our contractual obligations as of November 30, 2017 were as follows:

(US$ thousands)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Remediation	$182	$182	$—	$—	$—
Office and equipment leases	1,055	198	226	199	432
Promissory note	90,040	—	—	—	90,040
Total	$91,277	$380	$226	$199	$90,472

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 17, 2018, the Company had 322,294,889 common shares issued and outstanding. Also as of January 17, 2018, the Company had: i) a total of 20,159,150 stock options outstanding; 14,625,284 of those stock options with a weighted-average exercise price of C$3.87 and the remaining 5,533,866 with a weighted-average exercise price of $4.23; and ii) 1,809,000 performance share units and 320,060 deferred share units outstanding. Upon exercise of the foregoing convertible securities, the Company would be required to issue a maximum of 23,192,710 common shares.

Related party transactions

The Company provided office rental and services to Galore Creek Partnership for $207,000 in 2017, $335,000 in 2016 and $349,000 in 2015. The office space agreement ended in August 2017.

As of November 30, 2017, the Company has accounts receivable from Galore Creek of $nil (2016: $28,000) included in other current assets and $3,674,000 (2016: $3,526,000) included in other long-term assets. The Company owed $119,000 to an affiliate of Electrum at November 30, 2016 for reimbursement of director and officer travel expenses included in accounts payable and accrued liabilities.

Fourth quarter results

During the fourth quarter of 2016, we incurred a net loss of $7.4 million compared to a net loss of $7.2 million for the comparable period in 2015. The increase in net loss resulted from higher equity losses from Donlin Gold.

Accounting Developments

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

Fourth quarter results

During the fourth quarter of 2017, we incurred a net loss of $10.0 million compared to a net loss of $7.4 million for the comparable period in 2016. The increase in net loss primarily resulted from higher equity losses from Donlin Gold due to the 2017 drilling program.

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 Donlin Gold LLC and the 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.

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

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. Events that could indicate impairment of investments in affiliates include a significant decrease in long-term expected gold or copper gold prices, a significant increase in expected operating or capital costs, unfavorable exploration results or technical studies, a significant decrease in reserves, a loss of significant mineral claims or a change in the development plan or strategy for the project. 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 the estimated fair value which may be determined using a discounted cash flow model.

Income taxes

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

Share-based compensation

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

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

As of November 30, 2017, we had $1.0 million of unrecognized compensation cost related to 3.46 million non-vested stock options expected to be recognized and vest over a period of approximately one year. Also, as of November 30, 2017, we had 2.18 million non-vested PSU awards outstanding of which 1.24 million were fully expensed and subsequently expired with no value, and 0.94 million non-vested PSU awards with $2.4 million of unrecognized compensation cost expected to be recognized and vest over a period of approximately one year.

We adopted Accounting Standard Update No. 2016-09, which requires the classification of withholding tax on share-based compensation as a financing activity on the consolidated statement of cash flows. We early adopted this guidance as of December 1, 2016, and reclassified withholding tax on share-based compensation from "Net cash used in operating activities" to "Net cash used in financing activities." We have elected to continue to estimate forfeiture rates on PSUs and stock options. Adoption of this guidance had no other impact on the consolidated financial statements or disclosures.

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, 2017, 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, 2017, 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 $3.8 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 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, 2017, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of $0.9 million in the interest accrued on the promissory note per annum.

NYSE American Option Disclosure

As of December 1, 2016, there were 8,627,840 stock options available for grant pursuant to our 2004 Stock Award Plan, as amended, and as of November 30, 2017, there were 14,671,353 stock options available for grant. No outstanding stock option grants were repriced for any reason during fiscal year 2017.

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[(1)]	Corporate Director	Mining
Dr. Thomas Kaplan[(1)]	Chairman and Chief Executive Officer of The Electrum Group LLC	Investment advisory and asset management
Gregory Lang[(1)(2)]	President and Chief Executive Officer of NOVAGOLD RESOURCES INC.	Mining
Gillyeard Leathley[(1)]	Corporate Director, Consultant	Mining / Consulting
Igor Levental[(1)]	President of The Electrum Group LLC	Investment advisory and asset management
Kalidas Madhavpeddi[(1)]	President of Azteca Consulting LLC and Chief Executive Officer of China Molybdenum Co. Ltd.	Consulting / Mining
Gerald McConnell[(1)]	Chairman of the Board of Namibia Rare Earths Inc.	Mining
Clynton Nauman[(1)]	President and Chief Executive Officer of Alexco Resource Corp.	Mining
Rick Van Nieuwenhuyse[(1)]	President and Chief Executive Officer of Trilogy Metals Inc.	Mining
Anthony Walsh[(1)]	Corporate Director	Mining
David Deisley[(2)]	Executive Vice President and General Counsel, NOVAGOLD RESOURCES INC.	Mining
David Ottewell[(2)]	Vice President and Chief Financial Officer, NOVAGOLD RESOURCES INC.	Mining

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

Financial Statements and Supplementary Financial Information

Financial Statements

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

Supplementary Financial Information

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report includes certain "forward-looking 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, 2017, filed with the SEC on January 24, 2018. 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.

Additional Information

Additional information relating to the Company is available on the Company's website at www.novagold.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. The Company will furnish to shareholders, free of charge, a hard copy of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2017, including the financial statements and financial statement schedules, upon request to Investor Relations at NOVAGOLD RESOURCES INC., 789 West Pender Street, Suite 720, Vancouver, British Columbia, V6C 1H2, Canada, Telephone 604-669-6227, Toll-Free 866-669-6227, Fax 604-669-6272.

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) and its subsidiaries as of November 30, 2017 and November 30, 2016 and the related consolidated statements of loss and comprehensive loss, cash flows and statements of equity for each of the years in the three-year period ended November 30, 2017. We also have audited NOVAGOLD and its subsidiaries' internal control over financial reporting as of November 30, 2017 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 Report of Management 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 audits 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, as well as 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 and its subsidiaries as of November 30, 2017 and November 30, 2016 and the results of their operations and their cash flows for each of the years in the three-year period ended November 30, 2017 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, NOVAGOLD and its subsidiaries maintained, in all material respects, effective internal control over financial reporting as of November 30, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

Other matter
As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for certain cash payments relating to share-based compensation in 2017.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, British Columbia, Canada
January 24, 2018

NOVAGOLD RESOURCES INC.

CONSOLIDATED BALANCE SHEETS
(US dollars in thousands)

	At November 30,	
	2017	2016
ASSETS		
Cash and cash equivalents	$27,954	$30,274
Term deposits	56,000	75,000
Other assets (note 7)	883	2,064
Current assets	84,837	107,338
Investment in Donlin Gold (note 4)	1,100	951
Investment in Galore Creek (note 5)	251,461	241,404
Mineral property (note 6)	45,179	43,359
Deferred income taxes (note 12)	9,761	9,397
Other assets (note 7)	6,531	5,812
Total assets	$398,869	$408,261
LIABILITIES		
Accounts payable and accrued liabilities	$727	$652
Accrued payroll and related benefits	2,513	2,185
Other liabilities	182	214
Current liabilities	3,422	3,051
Promissory note (note 8)	90,040	84,812
Deferred income taxes (note 12)	21,378	20,135
Total liabilities	114,840	107,998
Commitments and contingencies (note 17)		
EQUITY		
Common shares		
Authorized – 1,000 million shares, no par value		
Issued and outstanding – 322.2 and 320.0 million shares, respectively	1,951,587	1,942,451
Contributed surplus	83,534	82,573
Accumulated deficit	(1,744,917)	(1,705,901)
Accumulated other comprehensive income (loss)	(6,175)	(18,860)
Total equity	284,029	300,263
Total liabilities and equity	$398,869	$408,261

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

(US dollars in thousands except per share amounts)

	Years ended November 30,		
	2017	2016	2015
Operating expenses:			
Equity loss - Donlin Gold (note 4)	$11,219	$8,819	$11,016
Equity loss - Galore Creek (note 5)	1,676	1,149	392
General and administrative (note 10)	20,802	20,179	19,922
Studies and evaluation	—	—	366
	33,697	30,147	31,696
Loss from operations	(33,697)	(30,147)	(31,696)
Other income (expense) (note 11)	(4,587)	(3,422)	(103)
Loss before income taxes	(38,284)	(33,569)	(31,799)
Income tax expense (note 12)	(732)	(277)	(153)
Net loss	(39,016)	(33,846)	(31,952)
Other comprehensive income (loss):			
Unrealized holding gains (losses) on marketable securities during period	271	477	(227)
Reclassification adjustment for losses included in net loss (note 15)	—	—	426
Net unrealized gain, net of $43, $69 and $2 tax expense	271	477	199
Foreign currency translation adjustments	12,414	(1,652)	(52,729)
	12,685	(1,175)	(52,530)
Comprehensive income (loss)	$(26,331)	$(35,021)	$(84,482)
Net loss per common share			
Basic and diluted	$(0.12)	$(0.11)	$(0.10)
Weighted average shares outstanding			
Basic and diluted	321,659	319,774	317,850

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

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

	Years ended November 30,		
	2017	2016 Revised[1]	2015 Revised[1]
Operating activities:			
Net loss	$(39,016)	$(33,846)	$(31,952)
Adjustments:			
Equity losses of affiliates	12,895	9,968	11,408
Share-based compensation	10,293	10,263	9,488
Interest on promissory note	5,228	4,551	4,108
Deferred income tax expense (recovery)	382	(69)	(2)
Foreign exchange (gain) loss	531	(182)	(4,771)
Write-down of investments	—	—	426
Other	4	97	237
Changes in operating assets and liabilities:			
Other assets	1,063	2,259	908
Accounts payable and accrued liabilities	52	(324)	(87)
Accrued payroll and related benefits	320	99	(188)
Other liabilities	(32)	(237)	(174)
Net cash used in operating activities	(8,280)	(7,421)	(10,599)
Investing activities:			
Proceeds from term deposits	151,900	100,000	135,000
Purchases of term deposits	(132,900)	(90,000)	(125,000)
Funding of affiliates	(12,968)	(9,732)	(10,964)
Other	(28)	—	—
Net cash provided from (used in) investing activities	6,004	268	(964)
Financing activities:			
Withholding tax on share-based compensation	(196)	(4,275)	(827)
Repayment of debt	—	—	(15,829)
Net cash used in financing activities	(196)	(4,275)	(16,656)
Effect of exchange rate changes on cash	152	(29)	(375)
Net change in cash and cash equivalents	(2,320)	(11,457)	(28,594)
Cash and cash equivalents at beginning of period	30,274	41,731	70,325
Cash and cash equivalents at end of period	$27,954	$30,274	$41,731

[1] See Note 2 - Recently adopted accounting pronouncements, *Compensation—Stock Compensation*

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

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

	Common shares		Contributed	Accumulated	Accumulated other comprehensive	Total
	Shares	Amount	surplus	deficit	income (loss)	equity
November 30, 2014	317,288	$1,936,336	$74,038	$(1,640,103)	$34,845	$405,116
Share-based compensation	—	—	9,488	—	—	9,488
PSUs settled in shares	506	1,507	(1,507)	—	—	—
Stock options exercised	116	419	(419)	—	—	—
Withholding tax on PSUs	—	—	(826)	—	—	(826)
Net loss	—	—	—	(31,952)	—	(31,952)
Other comprehensive loss	—	—	—	—	(52,530)	(52,530)
November 30, 2015	317,910	$1,938,262	$80,774	$(1,672,055)	$(17,685)	$329,296
Share-based compensation	—	—	10,263	—	—	10,263
PSUs settled in shares	1,377	2,679	(2,679)	—	—	—
Stock options exercised	729	1,510	(1,510)	—	—	—
Withholding tax on PSUs	—	—	(4,275)	—	—	(4,275)
Net loss	—	—	—	(33,846)	—	(33,846)
Other comprehensive loss	—	—	—	—	(1,175)	(1,175)
November 30, 2016	320,016	$1,942,451	$82,573	$(1,705,901)	$(18,860)	$300,263
Share-based compensation	—	—	10,293	—	—	10,293
PSUs settled in shares	1,513	4,000	(4,000)	—	—	—
DSUs settled in shares	28	122	(122)	—	—	—
Stock options exercised	662	5,014	(5,014)	—	—	—
Withholding tax on PSUs	—	—	(196)	—	—	(196)
Net loss	—	—	—	(39,016)	—	(39,016)
Other comprehensive income	—	—	—	—	12,685	12,685
November 30, 2017	322,219	$1,951,587	$83,534	$(1,744,917)	$(6,175)	$284,029

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

NOTE 1 – THE COMPANY

NOVAGOLD RESOURCES INC. and its affiliates and subsidiaries (collectively, "NOVAGOLD" or the "Company") operate in the mining industry, focused on the exploration for and development of gold and copper mineral properties. The Company has no 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 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 Galore Creek project is owned by the Galore Creek Partnership a partnership in which Teck Resources Limited ("Teck") and a wholly-owned subsidiary of NOVAGOLD 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 dollars and C$ to Canadian dollars. 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 disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions include: investments in affiliates; mineral properties; income taxes; and share-based compensation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from the amounts estimated in these Consolidated 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 Ltd., 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. The effects of translating the Company's Canadian operations from the Canadian dollar to the U.S. dollar are recorded in Other comprehensive income (loss).

Cash and cash equivalents

Cash and cash equivalents consists of cash balances and highly liquid investments with original maturities of three months or less that are considered to be cash equivalents. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. 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 classified as held to maturity and recorded at cost. Term deposits are held at Chartered Canadian banks with original maturities of 12 months or less. The term deposits are not traded in an active market.

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 equity investments in Donlin Gold LLC and Galore Creek Partnership, and amounts receivable from 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 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 the estimated fair value which may be determined using a discounted cash flow model.

Income taxes

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

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

Share-based payments

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

Net income (loss) per common share

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

Reclassifications

The Company adopted Accounting Standard Update (ASU) No. 2016-09, which requires the classification of withholding tax on share-based compensation as a financing activity on the consolidated statement of cash flows. Refer to Recently adopted accounting pronouncements for further details.

Recently adopted accounting pronouncements

Compensation—Stock Compensation

In March 2016, ASU No. 2016-09 was issued related to stock-based compensation. The new guidance simplifies the accounting for stock-based compensation transactions, including income tax consequences, classification of awards as either equity or liabilities, classification of cash payments related to tax withholdings on behalf of employees on the consolidated statements of cash flows, and accounting for forfeitures. This update is effective in fiscal years, including interim periods, beginning after December 15, 2016. The Company adopted this guidance as of December 1, 2016, and reclassified \$(4,275) and \$(827) from Net cash used in operating activities to Net cash used in financing activities for the years ended November 30, 2016 and 2015, respectively. Accordingly the statements of cash flows for these years have been denoted as 'revised.' Adoption of this guidance had no other impact on the consolidated financial statements or disclosures.

Recently issued accounting pronouncements

Compensation—Stock Compensation

In May 2017, ASU No. 2017-09 was issued to provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The amendments will be applied prospectively to an award modified on or after the adoption date. The Company adopted this new guidance effective December 1, 2017, and does not expect it to have a material impact on the consolidated financial statements or disclosures.

Restricted Cash

In November 2016, ASU No. 2016-18 was issued related to the inclusion of restricted cash in the statement of cash flows. This new guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and restricted cash. This update is effective in fiscal years, including interim periods, beginning after December 15, 2017 and early adoption is permitted. The adoption of this guidance will result in the inclusion of the restricted cash balances within the overall cash balance and removal of the changes in restricted cash activity. Furthermore, the Company will be required to reconcile cash and cash equivalents and restricted cash reported within the consolidated balance sheets to the total shown in the consolidated statements of cash flows. The Company anticipates adopting this new guidance effective December 1, 2018, and does not expect it to have a material impact on the consolidated financial statements or disclosures.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, ASU No. 2016-15 was issued related to the statement of cash flows. The new guidance will require the Company to make an accounting policy election to classify distributions received from equity method investees (Donlin Gold LLC and Galore Creek Partnership) using a cumulative earnings approach or a nature of the distribution approach. The election will affect the classification of future distributions on the statement of cash flows as cash inflows from operating activities or investing activities. The new guidance is effective for the Company's fiscal year and interim periods beginning December 1, 2018, and early adoption is permitted. The Company has evaluated this guidance and does not expect it to have a material impact on the consolidated financial statements or disclosures. The Company anticipates retrospectively adopting the new guidance effective December 1, 2018.

Leases

In February 2016, ASU No. 2016-02 was issued related to leases, which was further amended in September 2017 by ASU No. 2017-13. The new guidance amends the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases and amends disclosure requirements associated with leasing arrangements. The new guidance is effective for the Company's fiscal year beginning December 1, 2019. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Adpoption of this guidance is not expected to materially increase the assets and liabilities of the Company.

Classification and Measurement of Financial Instruments

In January 2016, ASU No. 2016-01 was issued to amend the guidance on the classification and measurement of financial instruments. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The new guidance also amends certain disclosure requirements associated with the fair value of financial instruments. The new guidance is effective for the Company's fiscal year beginning December 1, 2018. Early adoption is not permitted. The Company expects the updated guidance to result in a reclassification of unrealized gains and losses on equity investments from accumulated other comprehensive income (loss) to accumulated deficit in the consolidated balance sheets upon adoption.

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

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

	Years ended November 30,		
	2017	2016	2015
Balance – beginning of period	$951	$1,058	$1,618
Share of losses			
Mineral property expenditures	(11,139)	(8,689)	(10,845)
Depreciation	(80)	(130)	(171)
	(11,219)	(8,819)	(11,016)
Funding	11,368	8,712	10,456
Balance – end of period	$1,100	$951	$1,058

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,	
	2017	2016
Current assets: Cash, prepaid expenses and other receivables	$2,075	$1,540
Non-current assets: Property and equipment	23	101
Non-current assets: Mineral property	32,692	32,692
Current liabilities: Accounts payable and accrued liabilities	(998)	(690)
Non-current liabilities: Reclamation obligation	(692)	(692)
Net assets	$33,100	$32,951

NOTE 5 – INVESTMENT IN GALORE CREEK

The Galore Creek project is owned by Galore Creek Partnership (GCP), a partnership in which Teck and a wholly-owned subsidiary of NOVAGOLD each own a 50% interest. GCP has a management committee comprised of four representatives, with two representatives selected by Teck and two representatives appointed by the Company. All significant decisions related to GCP require the approval of at least a majority of the GCP management committee representatives.

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,		
	2017	2016	2015
Balance – beginning of period	$241,404	$242,906	$283,247
Share of losses			
Mineral property expenditures	(48)	(169)	(147)
Care and maintenance expense	(1,628)	(980)	(884)
Gain on sale of equipment	—	—	639
	(1,676)	(1,149)	(392)
Funding	1,600	1,020	508
Exploration tax credit	—	—	107
Foreign currency translation	10,133	(1,373)	(40,564)
Balance – end of period	$251,461	$241,404	$242,906

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,	
	2017	2016
Current assets: Cash, prepaid expenses and other receivables	$197	$170
Non-current assets: Mineral property	226,561	217,295
Current liabilities: Accounts payable and accrued liabilities	(237)	(112)
Non-current liabilities: Reclamation obligation	(7,645)	(7,260)
Net assets	$218,876	$210,093

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,	
	2017	2016
Other current assets:		
Accounts and interest receivable	$303	$547
Prepaid expenses	580	554
Receivable from Galore Creek Partnership	—	28
Note receivable	—	935
	$883	$2,064
Other long-term assets:		
Marketable equity securities	$1,448	$1,117
Receivable from Galore Creek Partnership	3,674	3,526
Restricted cash – reclamation deposit	1,361	1,111
Office equipment	48	58
	$6,531	$5,812

NOTE 8 – PROMISSORY NOTE

The Company has a promissory note payable to Barrick of $51,576, plus interest at a rate of U.S. prime plus 2%, amounting to $38,464 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 9 – FAIR VALUE ACCOUNTING

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

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

The Company's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities was $1,448 at November 30, 2017 ($1,117 at November 30, 2016), calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

NOTE 10 – GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended November 30,		
	2017	2016	2015
Share-based compensation (note 13)	$10,293	$10,263	$9,488
Salaries and benefits	6,470	6,167	6,164
Office expense	2,140	2,035	2,090
Corporate communications and regulatory	992	1,001	1,452
Professional fees	873	680	693
Depreciation	34	33	35
	$20,802	$20,179	$19,922

NOTE 11 – OTHER INCOME (EXPENSE)

	Years ended November 30,		
	2017	2016	2015
Interest income	$1,172	$947	$740
Interest expense	(5,228)	(4,551)	(5,188)
Foreign exchange gain (loss)	(531)	182	4,771
Write-down of investments	—	—	(426)
	$(4,587)	$(3,422)	$(103)

At November 30, 2017, all unrealized losses were in a continuous loss position for less than 12 months. During 2015, the Company recognized impairments for other-than-temporary declines in value of $426 for marketable equity securities.

NOTE 12 – INCOME TAXES

Effective November 2, 2017, the British Columbia provincial corporate tax rate increased from 11% to 12%, starting January 1, 2018. The overall increase in tax rates in 2018 will result in an increase in the Company's statutory tax rate from 26% in 2017, to 26.92% in 2018, and to 27% in 2019 forward. The rate increase resulted in an additional deferred tax expense of $425 in the year-ended November 30, 2017.

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act (the "Act") into law. The new legislation decreases the U.S. corporate federal income tax rate from 35% to 21% effective January 1, 2018. The Company does not expect any impact on recorded deferred tax balances as the remeasurement of net deferred tax assets will be offset by a change in valuation allowance. Since the Company has a November 30 fiscal year end, its U.S. subsidiaries will have a blended tax rate of 22.2% for the November 30, 2018 fiscal year and 21% thereafter on any current U.S. federal taxes payable. The Act also includes a number of other provisions including the elimination of loss carrybacks and limitations on the use of future losses, repeal of the Alternative Minimum Tax regime and the introduction of a base erosion and anti-abuse tax. These provisions are not expected to have immediate effect on the Company.

Given the significant complexity of the Act and anticipated additional implementation guidance from the Internal Revenue Service further implications of the Act may be identified in future periods.

The Company's Income tax expense consisted of:

	Years ended November 30,		
	2017	2016	2015
Current:			
Canada	$—	$—	$—
Foreign	350	346	155
	350	346	155
Deferred:			
Canada	382	(69)	(2)
Foreign	—	—	—
	382	(69)	(2)
Income tax expense	$732	$277	$153

The Company's Loss before income tax consisted of:

	Years ended November 30,		
	2017	2016	2015
Canada	$(20,501)	$(18,912)	$(14,775)
Foreign	(17,783)	(14,657)	(17,024)
	$(38,284)	$(33,569)	$(31,799)

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,		
	2017	2016	2015
Loss before income taxes	(38,284)	(33,569)	(31,799)
Combined federal and provincial statutory tax rate	26%	26%	26%
Income tax recovery based on statutory income tax rates	(9,954)	(8,728)	(8,268)
Reconciling items:			
Effect of future statutory tax rate change	(1,679)	—	—
Non-deductible expenditures	2,485	2,607	1,906
Foreign accrual property income	(439)	862	1,269
Effect of different statutory tax rates on earnings or losses of subsidiaries	(2,690)	(2,218)	(2,619)
Effect of tax losses expired	8	6	3,878
Change in valuation allowance on deferred tax assets	13,025	7,668	3,264
Other	(24)	80	723
Income tax expense	$732	$277	$153

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

	At November 30,	
	2017	2016
Deferred tax income assets:		
Asset retirement obligation	$75	$89
Net operating loss carry forwards	233,885	222,036
Capital loss carry forwards	33,666	31,352
Mineral properties	17,887	16,503
Intangible assets	494	456
Property and equipment	224	203
Investment in affiliates	44,484	42,743
Share issuance costs	74	137
Unpaid interest expense	3,044	3,044
Unrealized loss on investments	329	319
Investment tax credit	3,044	2,921
Other	1,200	1,137
	338,406	320,940
Valuation allowances	(297,770)	(282,698)
	40,636	38,242
Deferred income tax liabilities:		
Investment in affiliates	(39,058)	(36,110)
Mineral properties	(12,174)	(11,251)
Investment tax credit	(822)	(760)
Unrealized gain on investments	(22)	—
Capitalized assets and other	(177)	(859)
	(52,253)	(48,980)
Net deferred income tax liabilities	$(11,617)	$(10,738)

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

Net deferred income tax assets and liabilities consist of:

	At November 30, 2017	2016
Long-term deferred income tax:		
Assets	$9,761	$9,397
Liabilities	(21,378)	(20,135)
	$(11,617)	$(10,738)

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	25,382
2027	18,493	4,077
2028	85	538
2029	11,223	12,679
2030	10,916	18,242
2031	16,580	17,115
2032	309,772	29,984
2033	14,529	22,423
2034	15,607	10,383
2035	16,383	6,872
2036	14,764	9,433
2037	14,198	11,016
	$458,210	$168,144

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.

The Company has recognized $9,761 (2016: $9,397, 2015: $9,711) 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 of November 30, 2017. Such objective evidence limits the ability to consider other subjective evidence such as management's projections for future growth. On the basis of this evaluation, as of November 30, 2017, a valuation allowance of $297,770 (2016: $282,698, 2015: $275,305) inclusive of valuation allowance for investment tax credits has been recorded in order to measure only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable; however, could be adjusted if estimates of future taxable income during the carry forward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as management's projections for growth.

Uncertain tax position

There were no unrecognized tax benefits at November 30, 2017, 2016 and 2015. The Company recognizes any interest and penalties related to uncertain tax positions, if any, as income tax expense. At November 30, 2017, 2016 and 2015, 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. With few exceptions, the tax years that remain subject to examination as of November 30, 2017 are 2013 to 2017 in Canada and 2014 to 2017 in the United States.

NOTE 13 – SHARE-BASED COMPENSATION

Share incentive awards include a stock option plan for directors, executives, employees and eligible consultants, a PSU plan for executives, employees and eligible consultants and a DSU plan for directors of the Company. Options granted to purchase common shares have exercise prices not less than the fair market value of the underlying share at the date of grant. At November 30, 2017, 14.7 million common shares were available for future share incentive plan awards.

The Company recognized share-based compensation expense (recorded in General and administrative expenses) as follows:

	Years ended November 30,		
	2017	2016	2015
Stock options	$5,496	$5,855	$4,736
Performance share unit plan	4,588	4,184	4,537
Deferred share unit plan	209	224	215
	$10,293	$10,263	$9,488

Stock options

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

A summary of stock options outstanding as of November 30, 2017, and activity during the year ended November 30, 2017 are as follows:

	Number of stock options (thousands)	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
November 30, 2016	19,829	$3.59		
Granted	3,545	4.58		
Exercised	(3,554)	4.54		
Expired	(2,197)	9.42		
Forfeited	(72)	4.60		
November 30, 2017	17,551	$3.24	2.30	$13,837
Vested and exercisable as of November 30, 2017	14,058	$2.98	1.96	$13,837

The following table summarizes other stock option-related information:

	Years ended November 30,		
	2017	2016	2015
Weighted-average assumptions used to value stock option awards:			
Expected volatility	50%	54%	60%
Expected term of options (years)	3	3	3
Expected dividend rate	—	—	—
Risk-free interest rate	1.2%	0.5%	1.1%
Expected forfeiture rate	2.5%	3.0%	4.0%
Weighted-average grant-date fair value	$1.60	$1.37	$1.12
Intrinsic value of options exercised	$5,014	$1,510	$427
Cash received from options exercised	—	—	—

As of November 30, 2017, the Company had $980 of unrecognized compensation cost related to 3,458,383 non-vested stock options expected to be recognized and vest over a period of approximately one year.

Performance share units

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

The value of each PSU granted is estimated at the grant date using a Monte Carlo simulation model. The Monte Carlo simulation model requires the input of subjective assumptions, including the share price volatility of the Company's stock, as well as comparator 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.

A summary of PSU awards outstanding as of November 30, 2017, and activity during the year ended November 30, 2017 are as follows:

	Number of PSU awards (thousands)	Weighted-average grant day fair value per award	Aggregate intrinsic value
November 30, 2016	2,619	$3.15	
Granted	940	4.58	
Vested	(1,556)	2.83	
Performance adjustment	179	2.83	
Forfeited	(6)	4.32	
November 30, 2017	2,176	$4.10	$2,158

During the year ended November 30, 2017, the Company paid $196 for employee withholding taxes on vested performance share units. As of November 30, 2017, the Company had 2,176,000 non-vested PSU awards outstanding of which 1,237,000 were fully expensed and subsequently expired with no value, and 939,000 non-vested PSU awards with $2,408 of unrecognized compensation cost expected to be recognized and vest over a period of approximately one year.

The following table summarizes other PSU-related information:

	Years ended November 30,		
	2017	2016	2015
Performance multiplier on PSUs vested	113%	140%	137%
Common shares issued (thousands)	1,513	1,377	506
Total fair value of common shares issued	$6,932	$5,151	$1,351
Withholding tax paid on PSUs vested	$196	$4,275	$827

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. During the year ended November 30, 2017, the Company granted 48,380 DSUs to Directors with a weighted-average grant day fair value of $4.36 per DSU. The Company issued 27,536 common shares under the DSU plan in 2017. No shares were issued under the DSU plan in 2016 or 2015. At November 30, 2017, there were 307,690 DSUs outstanding.

NOTE 14 – SHARE CAPITAL

Common shares

The Company is authorized to issue 1,000,000,000 common shares without par value, of which 322,219,187 were issued and outstanding as of November 30, 2017, and 320,015,809 were issued and outstanding as of November 30, 2016.

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, 2017 and 2016, no preferred shares were issued or outstanding.

NOTE 15 – RECLASSIFICATIONS OUT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Unrealized gain (loss) on marketable securities, net	Foreign currency translation adjustments	Total
November 30, 2016	$572	$(19,432)	$(18,860)
Change in other comprehensive income (loss) before reclassifications	271	12,414	12,685
Reclassifications from accumulated other comprehensive income (loss)	—	—	—
Net current-period other comprehensive income (loss)	271	12,414	12,685
November 30, 2017	$843	$(7,018)	$(6,175)

Details about accumulated other comprehensive income (loss) components:	Amount reclassified from accumulated other comprehensive income (loss)		
	2017	2016	2015
Marketable equity securities adjustments			
Impairment of marketable equity securities [(1)]	$—	$—	$426
Tax benefit (expense)	—	—	—
Net of tax	$—	$—	$426

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

NOTE 16 – RELATED PARTY TRANSACTIONS

The Company provided office rental and services to GCP for $207 in 2017, $335 in 2016 and $349 in 2015.

As of November 30, 2017, the Company has accounts receivable from GCP of $nil (2016: $28) included in other current assets and a receivable of $3,674 (2016: $3,526) included in other long-term assets. The Company owed $119 to an affiliate of Electrum Strategic Partners LLC, the Company's largest shareholder, at November 30, 2016 for reimbursement of director and officer travel expenses included in accounts payable and accrued liabilities.

NOTE 17 – 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.

Commitments

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 $198 in 2018, $226 in 2019, $199 in 2020, $204 in 2021, $210 in 2022, and $18 in 2023, totaling $1,055.

NOTE 18 – SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended November 30,		
	2017	2016	2015
Interest received	$1,101	$878	$639
Interest paid	$—	$—	$435
Income taxes paid	$343	$327	$120

NOTE 19 – UNAUDITED SUPPLEMENTARY DATA

Quarterly data

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

	2017			
	Q1	Q2	Q3	Q4
Loss from operations	$(8,963)	$(7,558)	$(8,423)	$(8,753)
Net loss	$(10,143)	$(8,462)	$(10,393)	$(10,018)
Loss per common share, basic and diluted	$(0.03)	$(0.03)	$(0.03)	$(0.03)

	2016			
	Q1	Q2	Q3	Q4
Loss from operations	$(9,530)	$(7,391)	$(6,422)	$(6,804)
Net loss	$(9,977)	$(9,138)	$(7,381)	$(7,350)
Loss per common share, basic and diluted	$(0.03)	$(0.03)	$(0.02)	$(0.02)

Significant after-tax items were as follows:

Fourth quarter 2017:	Donlin Gold drilling program, $2,317 ($0.01 per share loss - basic and diluted) included in Equity loss – Donlin Gold
Third quarter 2017:	Donlin Gold drilling program, $1,318 ($0.00 per share loss - basic and diluted) included in Equity loss – Donlin Gold
Second quarter 2017:	n/a
First quarter 2017:	n/a

Fourth quarter 2016:	n/a
Third quarter 2016:	n/a
Second quarter 2016:	n/a
First quarter 2016:	n/a