# NOVAGOLD RESOURCES INC.

ANNUAL REPORT TO ACCOMPANY MANAGEMENT INFORMATION CIRCULAR
FOR YEAR ENDED NOVEMBER 30, 2018


| CORPORATE OFFICE | EXECUTIVE OFFICE |
|---|---|
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| Vancouver, British Columbia | Salt Lake City, Utah |
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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"). In 2018, we completed the sale of our interest in the Galore Creek copper-gold-silver project in British Columbia, Canada. The Galore Creek project is now held by a partnership owned by Teck Resources Limited ("Teck") and a subsidiary of Newmont Mining Corporation ("Newmont") (formerly a wholly-owned subsidiary of NOVAGOLD prior to completion of the sale transaction on July 27, 2018) where each partner owns a 50% interest.

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:

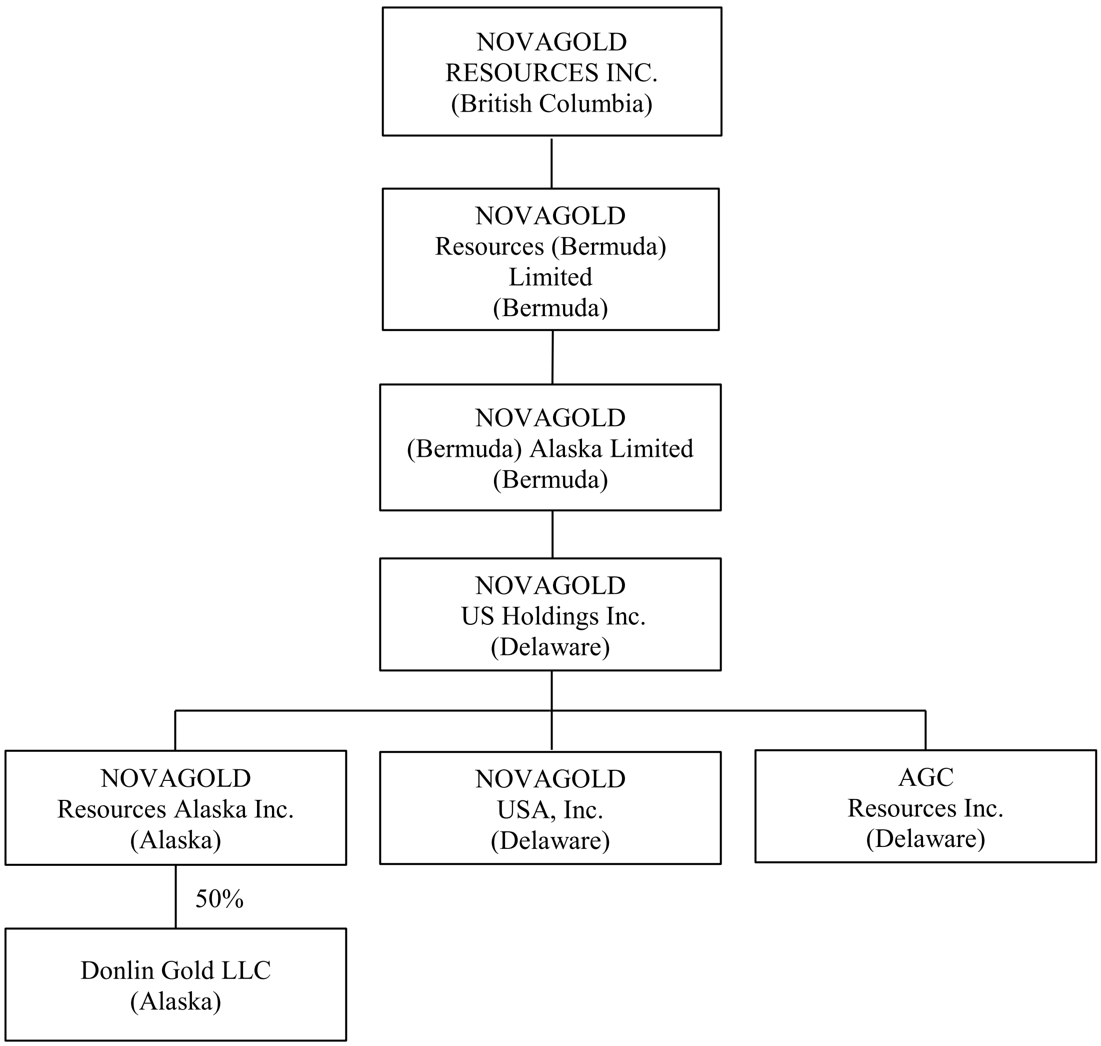
**Executive office**
201 South Main Street, Suite 400
Salt Lake City, UT, USA 84111
Telephone (801) 639-0511
Facsimile (801) 649-0509

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

**Corporate Structure**

As of November 30, 2018, we had the following material, direct and indirect, wholly-owned subsidiaries: NOVAGOLD Resources Alaska, Inc., NOVAGOLD US Holdings Inc., NOVAGOLD USA, Inc., AGC Resources Inc, NOVAGOLD (Bermuda) Alaska Limited and NOVAGOLD Resources (Bermuda) Limited.

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



**Employees**

On November 30, 2018, 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.

**Recent Developments**

*Donlin Gold Project*

On August 13, 2018, the U.S. Army Corps of Engineers (the "Corps"), the lead federal agency for the Donlin Gold Environmental Impact Statement (EIS), and the U.S. Bureau of Land Management (BLM) issued a favorable joint Federal Record of Decision (ROD) for the Donlin Gold project following completion of the federal National Environmental Policy Act (NEPA) process. Along with the ROD, the Corps issued a combined permit under Section 404 of the Clean Water Act (CWA) and Section 10 of the Rivers and Harbors Act. Additionally, the BLM issued the Offer to Lease for the right-of-way for those portions of the natural gas pipeline that would cross federal lands. The Pipeline and Hazardous Materials Safety Administration previously issued a special permit for the natural gas pipeline on June 5, 2018. To support issuance of the ROD, the Corps completed required consultation under the National Historic Preservation Act, Endangered Species Act, and Magnuson-Stevens Fishery Conservation and Management Act which protects essential fish habitat.

Several major State of Alaska permits were also issued and advanced during the year. After a public notice and comment period, the State of Alaska issued a Certificate of Reasonable Assurance under CWA Section 401 on August 10, 2018, indicating that the CWA 404 permit complies with the State's water quality standards. The Alaska Pollutant Discharge Elimination System (APDES) water discharge permit was issued on May 24, 2018 and with no appeal, became effective on July 1, 2018. The State of Alaska Department of Fish and Game issued Title 16 Fish Habitat permits for the mine area and transportation corridor on August 30, 2018. In October 2018, the State of Alaska Department of Environmental Conservation approved an extension by which construction of the Donlin Gold project as authorized by the Prevention of Significant Deterioration air quality permit must begin of June 30, 2020. On July 9, 2018, the State issued a 30-day public notice for proposed approval of the Donlin Gold Reclamation and Closure Plan. The public notice period was subsequently extended to 60 days until September 6, 2018, with a public hearing held on August 27, 2018, in Bethel. The draft waste management permit was issued for public comment in the first quarter of 2018.

The final approval of the Donlin Gold Reclamation and Closure Plan and final Waste Management Permit were issued on January 18, 2019. The proposed state portion of the pipeline Right-of-Way Lease and other state land use approvals are anticipated to be issued for public comment in the first half of 2019. The Alaska Dam Safety certificates require additional fieldwork and more detailed engineering that will commence in 2019 and require a multi-year commitment.

During 2018, a group called the Yukon-Kuskokwim River Alliance (YKRA) was formed to protect salmon habitat in the Yukon-Kuskokwim Delta. This organization along with 12 of the 56 village councils in the Calista Region (Native Village of Kasigluk, Orutsararmiut Native Council (ONC), Native Village of Eek, Tuluksak Native Community, Tununak Council, Native Village of Nunapitchuk, Chuloonawick Tribal Council, Native Village of Kwigillingok, Native Village of Kongiganak, Chefornak Traditional Council, Chevak Native Village, and Native Village of Napakiak) have adopted resolutions opposing development of the Donlin Gold project. Earthjustice, representing ONC, Akiak Native Community IRA Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Chuloonawick Tribal Council, and the YKRA, requested an informal review of the State of Alaska's 401 certification by the Director of the Division of Water in the Alaska Department of Environmental Conservation. In October 2018, the Director granted this request and a decision is expected in the first quarter of 2019. YKRA and ONC also requested that the Alaska Department of Fish and Game reconsider the issuance of the Title 16 Fish Habitat permits. The Commissioner of the Department of Fish and Game explained the Department's evaluation of and basis for the decision to issue the permits and declined the request for reconsideration. Donlin Gold LLC, with support from NOVAGOLD and Barrick, remains actively engaged in environmental sustainability projects and extensive outreach efforts with local stakeholders, through multiple traditional village council meetings, regional tribal gatherings, events and village visits across the Yukon-Kuskokwim (Y-K) region. Donlin Gold LLC collaborated with Calista and TKC (owners of the mineral and surface rights, respectively) on grants, scholarships and community outreach efforts. In November 2018, Alaska voters rejected by a 62 to 38 percent margin Ballot Measure No. 1, the Stand for Salmon initiative, that would have created a new multi-tiered system of fish habitat permits and may have made it difficult for Donlin Gold to obtain new or modified fish habitat permits required for the project.

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

The owners of the Donlin Gold project (Barrick and NOVAGOLD) continue to study ways to improve the project's value and to reduce initial capital outlays through enhanced project design and execution, engagement of third-party operators for certain activities, and potential for financing of some capital-intensive infrastructure. To date, these additional studies have identified opportunities that have the potential to benefit the project were the owners to decide to update the Donlin Gold feasibility study 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 this work into account before reaching a construction decision and will advance the Donlin Gold project in a financially-disciplined manner with a strong focus on environmental stewardship and social responsibility.

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

*Galore Creek Project*

On July 27, 2018, we completed the sale of our 50% interest in the Galore Creek Partnership (GCP) and our 40% interest in the Copper Canyon mineral property to a subsidiary of Newmont. We intend to apply the proceeds toward the advancement of the Donlin Gold project. The Company received proceeds of $100.0 million on closing, a note for $75.0 million receivable upon the earlier of the completion of a new Galore Creek project pre-feasibility study or July 27, 2021 and a note for $25.0 million receivable upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023, respectively. An additional $75.0 million will be receivable if and when a Galore Creek project construction plan is approved by the owner(s).

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

**Reclamation**

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

**Government and Environmental Regulations**

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

**Competition**

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

**Availability of Raw Materials and Skilled Employees**

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

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

**Seasonality**

Our business is seasonal as our mineral exploration and development activities take place in southwestern Alaska. Due to the northern climate, work on the Donlin Gold project can be limited due to excessive snow cover and cold temperatures. In general, surface work often is limited to late spring through early fall, although work in some locations, 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 |
|---|---|---|---|
| 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 | $1,355 | $1,178 | $1,269 |
| 2019 (to January 16) | $1,294 | $1,280 | $1,289 |

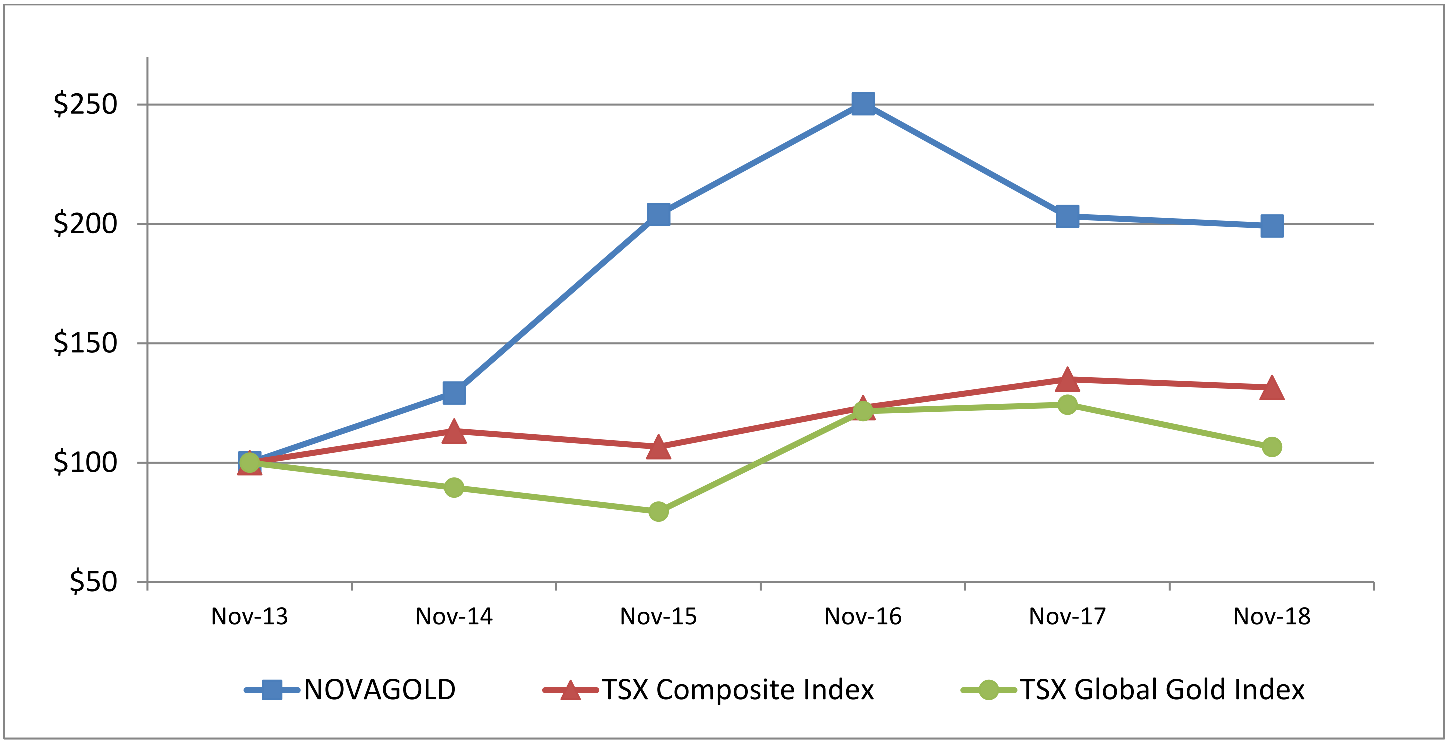
Data Source: www.kitco.com

**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 16, 2019, there were 618 holders of record of our shares, which does not include shareholders for which shares are held in nominee or street name. We believe that more than half of our common shares are beneficially owned by investors in the United States.

## Share Performance Graph

The following graph depicts the Company's cumulative total Shareholder returns over the five most recently completed fiscal years assuming a C$100 investment in Common Shares on November 30, 2013, 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, 2013. 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$ | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Value based on C$100 invested in the Company on November 29, 2013 | 129 | 204 | 250 | 203 | 199 |
| Value based on C$100 invested in the S&P/TSX Composite Index on November 29, 2013 | 113 | 107 | 123 | 135 | 132 |
| Value based on C$100 invested in the S&P/TSX Global Gold Index on November 29, 2013 | 90 | 80 | 122 | 124 | 107 |

## Dividends

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

**Selected Financial Data**

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

| | Years ended November 30, | | | | |
|---|---|---|---|---|---|
| ($ thousands, except per share) | 2018 | 2017 | 2016 | 2015 | 2014 |
| Loss from operations | $(27,291) | $(32,021) | $(28,998) | $(31,304) | $(36,067) |
| Net loss from continuing operations | $(31,466) | $(36,915) | $(32,697) | $(31,560) | $(38,543) |
| Net loss from discontinued operations | (81,299) | (2,101) | (1,149) | (392) | (1,941) |
| Net loss | $(112,765) | $(39,016) | $(33,846) | $(31,952) | $(40,484) |
| Net loss per common share – basic and diluted | | | | | |
| Continuing operations | $(0.10) | $(0.11) | $(0.10) | $(0.10) | $(0.12) |
| Discontinued operations | (0.25) | (0.01) | (0.01) | — | (0.01) |
| | $(0.35) | $(0.12) | $(0.11) | $(0.10) | $(0.13) |

| | As of November 30, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Total assets | $260,929 | $398,661 | $408,261 | $433,584 | $524,546 |
| Long-term liabilities | $96,581 | $111,210 | $104,947 | $100,771 | $100,204 |
| Shareholders' equity | $160,668 | $284,029 | $300,263 | $329,296 | $405,116 |

## 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, 2018, 2017 and 2016. 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 2018, 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*

The NEPA review and federal permitting for the Donlin Gold project were completed in the third quarter. On August 13, 2018, the Corps, the lead federal agency for the EIS, and the BLM issued a joint federal Record of Decision (ROD) for the Donlin Gold project following completion of the federal NEPA process. Along with the ROD, the Corps issued a combined permit under Clean Water Act (CWA) Section 404 and Section 10 of the Rivers and Harbors Act. Additionally, the BLM issued the Offer to Lease for the Right-of-Way for those portions of the natural gas pipeline that would cross federal lands. The Pipeline and Hazardous Materials Safety Administration previously issued a special permit for the natural gas pipeline on June 5, 2018.

Several major State of Alaska permits were also issued and advanced during the year. After a public notice and comment period, the State of Alaska issued a Certificate of Reasonable Assurance under CWA Section 401 on August 10, 2018, indicating that the CWA 404 permit complies with the State's water quality standards. The Alaska Pollutant Discharge Elimination System (APDES) water discharge permit was issued on May 24, 2018 and with no appeal, became effective on July 1, 2018. The State of Alaska Department of Fish and Game issued Title 16 Fish Habitat permits for the mine area and transportation corridor on August 30, 2018. In October 2018, the State of Alaska Department of Environmental Conservation approved an extension by which construction of the Donlin Gold project as authorized by the Prevention of Significant Deterioration air quality permit must begin by June 30, 2020. On July 9, 2018, the State issued a 30-day public notice for proposed approval of the Donlin Gold Reclamation and Closure Plan. The public notice period was subsequently extended to 60 days until September 6, 2018, with a public hearing held on August 27, 2018, in Bethel. The draft Waste Management Permit was issued for public comment in the first quarter of 2018.

The final approval of the Donlin Gold Reclamation and Closure Plan and final Waste Management Permit were issued on January 18, 2019. The proposed state portion of the pipeline Right-of-Way Lease and other state land use approvals are anticipated to be issued for public comment in the first half of 2019. The Alaska Dam Safety certificates require additional fieldwork and more detailed engineering that will commence in 2019 and require a multi-year commitment.

The Donlin Gold LLC board must approve a construction program and budget before the Donlin Gold project can be developed. The timing of the required engineering work and the Donlin Gold LLC board's approval of a construction program and budget, the receipt of all required governmental permits and approvals, and the availability of financing, commodity price fluctuations, risks related to market events and general economic conditions among other factors, will affect the timing of and whether to develop the Donlin Gold project.

During 2018, a group called the Yukon-Kuskokwim River Alliance (YKRA) was formed to protect salmon habitat in the Yukon-Kuskokwim Delta. This organization along with 12 of the 56 village councils in the Calista Region (Native Village of Kasigluk, Orutsararmiut Native Council (ONC), Native Village of Eek, Tuluksak Native Community, Tununak Council, Native Village of Nunapitchuk, Chuloonawick Tribal Council, Native Village of Kwigillingok, Native Village of Kongiganak, Chefornak Traditional Council, Chevak Native Village, and Native Village of Napakiak) have adopted resolutions opposing development of the Donlin Gold project. Earthjustice, representing ONC, Akiak Native Community IRA Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Chuloonawick Tribal Council, and the YKRA, requested an informal review of the State of Alaska's 401 certification by the Director of the Division of Water in the Alaska Department of Environmental Conservation. In October 2018, the Director responded to the request by deciding to conduct the informal review and a decision is expected in the first quarter of 2019. YKRA and ONC also requested that the Alaska Department of Fish and Game reconsider the issuance of the Title 16 Fish Habitat permits. The Commissioner of the Department of Fish and Game explained the Department's evaluation of and basis for the decision to issue the permits and declined the request for reconsideration.

Donlin Gold LLC, with support from NOVAGOLD and Barrick, remains actively engaged in environmental sustainability projects and extensive outreach efforts with local stakeholders, through multiple traditional village council meetings, regional tribal gatherings, events and village visits across the Yukon-Kuskokwim (Y-K) region. Donlin Gold LLC collaborated with Calista and TKC (owners of the mineral and surface rights, respectively) on grants, scholarships and community outreach efforts. In November 2018, Alaska voters rejected by a 62 to 38 percent margin Ballot Measure No. 1, the Stand for Salmon initiative, that would have created a new multi-tiered system of fish habitat permits and may have made it difficult for Donlin Gold to obtain new or modified fish habitat permits required for the project.

The owners of the Donlin Gold project (Barrick and NOVAGOLD) continue to study ways to further improve the project's value and to reduce initial capital outlays through enhanced project design and execution, engagement of third-party operators for certain activities, and potential for financing of some capital-intensive infrastructure. To date, these additional studies have identified opportunities that have the potential to benefit the project were the owners to decide to update the Donlin Gold feasibility study and 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 this work into account before reaching a construction decision and will advance the Donlin Gold project in a financially-disciplined manner with a strong focus on environmental stewardship and social responsibility.

Our share of funding for the Donlin Gold project in 2018 was $8.9 million, including $6.1 million for permitting and community engagement, and $2.8 million for ongoing optimization efforts. Our share of the 2019 work program and budget includes $13 million to continue to advance the project. In addition, Donlin Gold will continue to maintain its engagement with communities throughout 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.

*Sale of Galore Creek*

On July 27, 2018, we completed the sale of our 50% interest in the Galore Creek Partnership (GCP) and our 40% interest in the Copper Canyon mineral property to Newmont Mining Corporation ("Newmont"). We intend to apply the proceeds from the sale toward the advancement of the Donlin Gold project. The Company received proceeds of $100 million on closing, a note for $75 million receivable upon the earlier of the completion of a new Galore Creek project pre-feasibility study or July 27, 2021, and a note for $25 million receivable upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023. An additional $75.0 million will be receivable if and when a Galore Creek project construction plan is approved by the owner(s).

The deferred payments of $75 million and $25 million were valued using a discounted cash flow approach. We assumed the payments will be received in three and five years, respectively, based on our best estimate of the timing of payments. We estimated the fair value of the $75 million and $25 million notes receivable at $88.4 million, assuming payments in three and five years, respectively, at a discount rate of 3.6% based on quoted market values for Newmont debt with a similar term. The carrying value of the notes receivable are being accreted to $75 million and $25 million over three and five years, respectively. No value was assigned to the final $75 million contingent note receivable due to the uncertainty related to the approval of a Galore Creek project construction plan.

Galore Creek is presented as a discontinued operation for all periods reported. In 2018, our share of GCP's equity loss was $1.2 million and the Loss on the sale of Galore Creek, net of tax, was $80.1 million. Our share of cash funding for GCP was $1.5 million, primarily for care and maintenance, and supporting community initiatives.

*Maintained our strong financial position*

Cash and term deposits increased by $83.1 million in 2018 and totaled $167.0 million at November 30, 2018.

**Outlook**

Our goals for 2019 include:

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

We do not currently generate operating cash flows. At November 30, 2018, we had cash and cash equivalents of $21.0 million and term deposits of $146.0 million. At present, we believe that these balances are sufficient to cover anticipated funding of the Donlin Gold project and corporate general and administrative costs. Additional capital will be necessary if a decision to commence engineering and construction is reached for the Donlin Gold project. Future financings to fund construction are anticipated through debt, equity, project specific debt, and/or other means. Our continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. However, there can be no assurance that we will be successful in our efforts to raise additional capital on terms favorable to us, or at all. For further information, see section *Item 1A, Risk Factors - Our ability to continue the exploration, permitting, development, and construction of the Donlin Gold project, and to continue as a going concern, will depend in part on our ability to obtain suitable financing*, above.

In 2019, we expect to spend approximately $24 million, including $13 million to fund our share of expenditures at the Donlin Gold project and $11 million for general and administrative costs.

**Summary of Consolidated Financial Performance**

| | Years ended November 30, | | |
|---|---|---|---|
| ($ thousands, except per share) | 2018 | 2017 | 2016 |
| Loss from operations | $(27,291) | $(32,021) | $(28,998) |
| Net loss from continuing operations | $(31,466) | $(36,915) | $(32,697) |
| Net loss from discontinued operations, net of tax | (81,299) | (2,101) | (1,149) |
| Net loss | $(112,765) | $(39,016) | $(33,846) |
| Net loss per common share – basic and diluted | | | |
| Continuing operations | $(0.10) | $(0.11) | $(0.10) |
| Discontinued operations | (0.25) | (0.01) | (0.01) |
| | $(0.35) | $(0.12) | $(0.11) |

**Results of Operations**

*2018 compared to 2017*

*Loss from operations* decreased from $32.0 million in 2017 to $27.3 million in 2018 due to lower project expenses at Donlin Gold and lower general and administrative expense. Expenses at Donlin Gold decreased due to lower permitting costs and no drill program in 2018. General and administrative expenses decreased by $2.3 million, primarily due to lower share-based compensation costs for stock options and PSUs compared to the prior year. The Company extended the vesting period for new stock option and PSU grants issued in 2018 to three years and eliminated the individual performance multiplier in the formula for long-term equity compensation, which had the potential to increase long-term equity incentive grants above the target amount.

*Net loss from continuing operations* decreased from $36.9 million ($0.11 per share) in 2017 to $31.4 million ($0.10 per share) in 2018, primarily due to lower operating losses, higher interest income, accretion of notes receivable and lower foreign exchange loss offset by higher interest expense on the promissory note payable to Barrick.

*Net loss from discontinued operations, net of tax* of $81.3 million ($0.25 per share) results primarily from the *Loss on sale of Galore Creek, net of tax*, of $80.1 million. The net book value of the assets disposed exceeded the net proceeds by $105.3 million and was partially offset by the reclassification of cumulative foreign currency translation adjustments of $13.8 million and a net deferred tax recovery of $11.5 million. *Loss on Galore Creek operations, net of tax* decreased from $2.1 million in 2017 to $1.2 million in 2018 prior to closing the sale on July 27, 2018.

*2017 compared to 2016*

*Loss from operations* increased by $3.0 million from $29.0 million in 2016 to $32.0 million in 2017. The increase resulted from the 2017 Donlin Gold drilling program ($3.3 million), and higher general and administrative costs ($0.6 million), partially offset by lower permitting costs at Donlin Gold ($0.9 million).

*Net loss from continuing operations* increased from $32.7 million ($0.10 per share – basic and diluted) in 2016 to $36.9 million ($0.11 per share – basic and diluted) in 2017. The $4.2 million increase resulted from the increased loss from operations ($3.0 million) and an increase in other income (expense) ($1.2 million). Other income (expense) increased due to higher interest expense on the Barrick promissory note ($0.7 million) and foreign exchange movements ($0.7 million), partially offset by increased interest income on term deposits ($0.2 million).

*Net loss from discontinued operations, net of tax* increased from $1.1 million in 2016 to $2.1 million in 2017 due to increased care and maintenance activities at Galore Creek ($0.6 million) and deferred income tax expense ($0.4 million) due to an increase in the British Columbia provincial income tax rate.

**Liquidity, Capital Resources and Capital Requirements**

| | Years ended November 30, | | |
|---|---|---|---|
| ($ thousands) | 2018 | 2017 | 2016 |
| Net cash (used in) provided from: | | | |
| Operating activities of continuing operations | $(10,392) | $(8,077) | $(8,937) |
| Investing activities of continuing operations | $(98,920) | $7,604 | $1,288 |
| Financing activities of continuing operations | $— | $(196) | $(4,275) |
| | | | |
| Net cash (used in) provided from: | | | |
| Investing activities of discontinued operations | $102,448 | $(1,803) | $496 |

| | At November 30, | | |
|---|---|---|---|
| ($ thousands) | 2018 | 2017 | Change |
| Cash and cash equivalents | $21,004 | $27,954 | $(6,950) |
| Term deposits | $146,000 | $56,000 | $90,000 |

Total *Cash and cash equivalents* and *Term deposits* increased by $83.1 million in 2018 due to net proceeds of $99.3 million from the sale of Galore Creek, return of $4.6 million for reclamation deposits, partially offset by $8.9 million used to fund Donlin Gold, $10.8 million for administrative activities and $1.5 million to fund Galore Creek prior to the sale. The net change in *Cash and cash equivalents* and *Term deposits* was also favorably impacted by higher interest income and working capital changes, resulting in a net increase in *Cash and cash equivalents* and *Term deposits* of $83.1 million. Total spending in 2018 was $6.8 million lower than our original outlook of $28 million, mainly due to lower than expected permitting and optimization work expenditures at Donlin Gold ($5.1 million), the sale of Galore Creek mid-way through the year ($1.5 million) and lower administrative costs ($0.2 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 to cover anticipated funding of the Donlin Gold project and corporate general and administrative costs.

*2018 compared to 2017*

*Net cash used in operating activities of continuing operations* increased by $2.3 million, primarily due to changes in working capital. *Net cash used in investing activities of continuing operations* increased in 2018 primarily due to investing the gross proceeds of $100 million from the sale of Galore Creek in term deposits. Cash used to fund Donlin Gold was $2.5 million lower than the prior year period due to the 2017 drill program. In 2017, *Net cash used in financing activities of continuing operations* related to withholding taxes paid on vested performance share units.

*Net cash provided from investing activities of discontinued operations* in 2018 includes the receipt of $99.3 million in net cash proceeds on the sale of Galore Creek and $4.6 million to refund cash deposits previously made by the Company for Galore Creek reclamation bonding. Funding of the Galore Creek project in 2018 was $1.5 million prior to the sale.

*2017 compared to 2016*

*Net cash used in operating activities of continuing operations* decreased by $0.9 million primarily due to changes in working capital, partially offset by increases in general and administrative costs. General and administrative costs increased due to increases in salaries, professional fees and office expenses. *Net cash provided from investing activities of continuing operations* increased by $6.3 million as increased net cash provided from term deposits were partially offset by increased cash used to fund Donlin Gold due to the 2017 drill program. *Net cash used in financing activities of continuing operations* decreased by $4.1 million 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.

*Net cash (used in) provided from investing activities of discontinued operations* includes funding of the Galore Creek project of $1.6 million in 2017 and $1.0 million in 2016. In 2016 the Company also received $1.5 million for mining exploration tax credits for exploration work performed in prior years.

### Contractual Obligations

Our contractual obligations as of November 30, 2018 were as follows:

| ($ thousands) | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
|---|---|---|---|---|---|
| Remediation | $182 | $182 | $— | $— | $— |
| Office and equipment leases | 857 | 226 | 403 | 228 | — |
| Promissory note | 96,501 | — | — | — | 96,501 |
| Total | $97,540 | $408 | $403 | $228 | $96,501 |

### Off-Balance Sheet Arrangements

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

### Outstanding share data

As of January 16, 2019, the Company had 325,052,364 common shares issued and outstanding. Also as of January 16, 2019, the Company had: i) a total of 17,459,460 stock options outstanding; 9,584,760 of those stock options with a weighted-average exercise price of C$4.32 and the remaining 7,874,700 with a weighted-average exercise price of $4.07; and ii) 1,669,100 performance share units and 265,214 deferred share units outstanding. Upon exercise of the foregoing convertible securities, the Company would be required to issue a maximum of 20,228,324 common shares.

### Related party transactions

The Company provided technical services to Donlin Gold LLC for $658,000 in 2018, $nil in 2017 and 2016.

As of November 30, 2018, the Company has accounts receivable from Donlin Gold LLC of $247,000 (November 30, 2017: $nil) included in other current assets.

### Fourth quarter results

During the fourth quarter of 2018, we incurred a net loss of $6.1 million compared to a net loss of $10.0 million for the comparable period in 2017. The decrease in net loss primarily resulted from lower equity losses from Donlin Gold due to the 2017 drilling program and lower permitting activity.

### 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 investment in the Donlin Gold project. We identified Donlin Gold LLC as a Variable Interest Entity (VIE) as the entity is dependent on funding from its owners. All funding, ownership, voting rights and power to exercise control is shared equally on a 50/50 basis between the owners of the VIE. Therefore, the Company has determined that it is not the primary beneficiary of the VIE. The Company's maximum exposure to loss is its investment in Donlin Gold LLC.

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

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

We grant members of our board of directors 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 Statements of Loss over the related service period.

As of November 30, 2018, we had $1.9 million of unrecognized compensation cost related to 4.39 million non-vested stock options expected to be recognized and vest over a period of approximately two years. Also, as of November 30, 2018, we had 1.80 million non-vested PSU awards outstanding of which 0.93 million were fully expensed and vested in December 2018 with a multiplier of 82%, and 0.87 million non-vested PSU awards with $1.9 million of unrecognized compensation cost expected to be recognized and vest over a period of approximately two years.

## Quantitative and Qualitative Disclosures about Market Risk

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

*Credit risk*

Concentration of credit risk exists with respect to our cash and cash equivalents, term deposit investments and notes receivable. All term deposits are held through Canadian chartered banks with high investment-grade ratings and have maturities of one year or less. The notes receivable are due from a subsidiary of Newmont Mining Corporation, a publicly-traded company with investment-grade credit ratings.

*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, 2018, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of approximately $1.0 million in the interest accrued by us per annum.

## NYSE American Option Disclosure

As of December 1, 2017, there were 14,671,353 stock options available for grant pursuant to our 2004 Stock Award Plan, as amended, and as of November 30, 2018, there were 14,439,023 stock options available for grant. No outstanding stock option grants were repriced for any reason during fiscal year 2018.

## Directors, Executive Officers and Corporate Governance

The following sets forth certain information with respect to our directors and executive officers as of November 30, 2018.

| Name, Position | Principal Occupation | Principal Business of Employer |
|---|---|---|
| Sharon Dowdall[1] | Corporate Director | Mining |
| Dr. Diane Garrett[1] | President and Chief Executive Officer of Nickel Creek Platinum Corp. | Mining |
| Dr. Thomas Kaplan[1] | Chairman and Chief Executive Officer of The Electrum Group LLC | Investment advisory and asset management |
| Gregory Lang[1][2] | President and Chief Executive Officer of NOVAGOLD RESOURCES INC. | Mining |
| Igor Levental[1] | President of The Electrum Group LLC | Investment advisory and asset management |
| Kalidas Madhavpeddi[1] | Corporate Director | Mining |
| Clynton Nauman[1] | President and Chief Executive Officer of Alexco Resource Corp. | Mining |
| 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 page 19 below.

### Supplementary Financial Information

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

## Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

## Cautionary Note Regarding Forward-Looking Statements

This Annual Report includes certain forward-looking statements or information within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995 concerning anticipated results and developments in our operations in future periods, planned exploration activities, the adequacy of our financial resources and other events or conditions that may occur in the future. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including our plans and expectations relating to the Donlin Gold project, market prices for precious metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute "forward-looking statements" to the extent that they involve estimates of the mineralization that will be encountered if the property is developed.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking statements are based on a number of material assumptions, including those listed below, which could prove to be significantly incorrect:

- our ability to achieve production at any of our mineral exploration and development properties;
- estimated capital costs, operating costs, production and economic returns;
- estimated metal pricing, metallurgy, mineability, marketability and operating and capital costs, together with other assumptions underlying our resource and reserve estimates;
- our expected ability to develop adequate infrastructure and that the cost of doing so will be reasonable;
- assumptions that all necessary permits and governmental approvals will be obtained and the timing of such approvals;
- assumptions made in the interpretation of drill results, the geology, grade and continuity of our mineral deposits;
- our expectations regarding demand for equipment, skilled labor and services needed for exploration and development of mineral properties; and
- our activities will not be adversely disrupted or impeded by development, operating or regulatory risks.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation:

- uncertainty of whether there will ever be production at our mineral exploration and development properties;
- our history of losses and expectation of future losses;
- risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;

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

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this Annual Report under the heading “Risk Factors” and elsewhere.

Our forward-looking statements contained in this Annual Report are based on the beliefs, expectations and opinions of management as of the date of this report. We do not assume any obligation to update forward-looking statements if circumstances or management’s beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

**Additional Information**

Additional information relating to the Company is available on the Company's website at www.novagold.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. The Company will furnish to shareholders, free of charge, a hard copy of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2018, 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 and Board of Directors of NOVAGOLD RESOURCES INC.

**Opinions on the Financial Statements and Internal Control over Financial Reporting**

We have audited the accompanying consolidated balance sheets of NOVAGOLD RESOURCES INC. and its subsidiaries, (together, the Company) as of November 30, 2018 and 2017, and the related consolidated statements of loss and comprehensive loss, cash flows and equity for each of the three years in the period ended November 30, 2018, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of November 30, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of November 30, 2018 and 2017, and their results of operations and their cash flows for each of the three years in the period ended November 30, 2018 in conformity with accounting principles generally accepted in the United States of America (US GAAP). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2018, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

**Basis for Opinions**

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the Report of Management on Internal Control over Financial Reporting in section 9A of the 2018 Annual Report on Form 10-K. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

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

**Definition and Limitations of Internal Control over Financial Reporting**

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

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

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, Canada
January 23, 2019

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

**NOVAGOLD RESOURCES INC.**

**CONSOLIDATED BALANCE SHEETS**
(US dollars in thousands)

| | At November 30, | |
|---|---|---|
| | 2018 | 2017 Revised[1] |
| ASSETS | | |
| Cash and cash equivalents | $21,004 | $27,954 |
| Term deposits | 146,000 | 56,000 |
| Other assets (Note 7) | 2,379 | 883 |
| Current assets | 169,383 | 84,837 |
| Notes receivable (Note 5) | 89,459 | — |
| Investment in Donlin Gold (Note 6) | 1,209 | 1,100 |
| Other assets (Note 7) | 878 | 1,496 |
| Non-current assets held for sale (Note 4) | — | 311,228 |
| Total assets | $260,929 | $398,661 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | $710 | $591 |
| Accrued payroll and related benefits | 2,545 | 2,513 |
| Income taxes payable | 223 | 136 |
| Other liabilities | 182 | 182 |
| Current liabilities | 3,660 | 3,422 |
| Promissory note (Note 8) | 96,501 | 90,040 |
| Deferred income taxes (Note 12) | 80 | — |
| Non-current liabilities held for sale (Note 4) | — | 21,170 |
| Total liabilities | 100,241 | 114,632 |
| Commitments and contingencies (Note 17) | | |
| EQUITY | | |
| Common shares | | |
| Authorized – 1,000 million shares, no par value | | |
| Issued and outstanding – 323.2 and 322.2 million shares, respectively | 1,954,861 | 1,951,587 |
| Contributed surplus | 87,987 | 83,534 |
| Accumulated deficit | (1,857,682) | (1,744,917) |
| Accumulated other comprehensive income (loss) | (24,478) | (6,175) |
| Total equity | 160,688 | 284,029 |
| Total liabilities and equity | $260,929 | $398,661 |

[1] See Note 4 – Discontinued operations

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, | | |
|---|---|---|---|
| | 2018 | 2017 Revised[1] | 2016 Revised[1] |
| Operating expenses: | | | |
| Equity loss - Donlin Gold (Note 6) | $8,798 | $11,219 | $8,819 |
| General and administrative (Note 10) | 18,493 | 20,802 | 20,179 |
| | 27,291 | 32,021 | 28,998 |
| Loss from operations | (27,291) | (32,021) | (28,998) |
| Other income (expense) (Note 11) | (3,649) | (4,587) | (3,422) |
| Loss before income taxes and other items | (30,940) | (36,608) | (32,420) |
| Income tax expense (Note 12) | (526) | (307) | (277) |
| Net loss from continuing operations | (31,466) | (36,915) | (32,697) |
| Net loss from discontinued operations, net of tax (Note 4) | (81,299) | (2,101) | (1,149) |
| Net loss | (112,765) | (39,016) | (33,846) |
| Other comprehensive income (loss): | | | |
| Unrealized holding gain (loss) on marketable securities during period net of $(128), $43 and $69 tax (recovery) expense | (541) | 271 | 477 |
| Reclassification adjustment for losses included in net loss from continuing operations (Note 15) | 76 | — | — |
| Foreign currency translation adjustments | (4,062) | 12,414 | (1,652) |
| Reclassification of cumulative translation adjustment included in net loss from discontinued operations (Note 4) | (13,776) | — | — |
| | (18,303) | 12,685 | (1,175) |
| Comprehensive loss | $(131,068) | $(26,331) | $(35,021) |
| Net loss per common share – basic and diluted | | | |
| Continuing operations | $(0.10) | $(0.11) | $(0.10) |
| Discontinued operations | (0.25) | (0.01) | (0.01) |
| | $(0.35) | $(0.12) | $(0.11) |
| Weighted average shares outstanding | | | |
| Basic and diluted (thousands) | 322,487 | 321,659 | 319,774 |

[1] See Note 4 – Discontinued operations

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(US dollars in thousands)

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 Revised[1] | 2016 Revised[1] |
| Operating activities: | | | |
| Net loss | $(112,765) | $(39,016) | $(33,846) |
| Adjustments: | | | |
| Loss from discontinued operations, net of tax | 81,299 | 2,101 | 1,149 |
| Equity loss – Donlin Gold | 8,798 | 11,219 | 8,819 |
| Share-based compensation | 7,727 | 10,293 | 10,263 |
| Interest expense on promissory note | 6,461 | 5,228 | 4,551 |
| Foreign exchange loss (gain) | 171 | 531 | (182) |
| Accretion of notes receivable | (1,061) | (58) | (70) |
| Deferred income tax expense (recovery) | 80 | (43) | (69) |
| Write-down of investments | 76 | — | — |
| Other | 22 | 62 | 167 |
| Changes in operating assets and liabilities: | | | |
| Other assets | (1,471) | 1,266 | 743 |
| Accounts payable and accrued liabilities | 233 | 52 | (324) |
| Accrued payroll and related benefits | 38 | 320 | 99 |
| Other liabilities | — | (32) | (237) |
| Net cash used in operating activities of continuing operations | (10,392) | (8,077) | (8,937) |
| Investing activities: | | | |
| Proceeds from term deposits | 62,000 | 151,900 | 100,000 |
| Purchases of term deposits | (152,000) | (132,900) | (90,000) |
| Funding of Donlin Gold | (8,907) | (11,368) | (8,712) |
| Other | (13) | (28) | — |
| Net cash provided from (used in) investing activities of continuing operations | (98,920) | 7,604 | 1,288 |
| Net cash provided from (used in) investing activities of discontinued operations (Note 4) | 102,448 | (1,803) | 496 |
| Net cash provided from investing activities | 3,528 | 5,801 | 1,784 |
| Financing activities: | | | |
| Withholding tax on share-based compensation | — | (196) | (4,275) |
| Net cash used in financing activities of continuing operations | — | (196) | (4,275) |
| Effect of exchange rate changes on cash | (86) | 152 | (29) |
| Net change in cash and cash equivalents | (6,950) | (2,320) | (11,457) |
| Cash and cash equivalents at beginning of period | 27,954 | 30,274 | 41,731 |
| Cash and cash equivalents at end of period | $21,004 | $27,954 | $30,274 |

[1] See Note 4 – Discontinued operations

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

NOVAGOLD RESOURCES INC.

## CONSOLIDATED STATEMENTS OF EQUITY

(US dollars and shares in thousands)

| | Common shares | | Contributed | Accumulated | | Total |
|---|---|---|---|---|---|---|
| | Shares | Amount | surplus | deficit | AOCI* | equity |
| 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 |
| Share-based compensation | — | — | 7,727 | — | — | 7,727 |
| DSUs settled in shares | 98 | 427 | (427) | — | — | — |
| Stock options exercised | 906 | 2,847 | (2,847) | — | — | — |
| Net loss | — | — | — | (112,765) | — | (112,765) |
| Other comprehensive loss | — | — | — | — | (18,303) | (18,303) |
| November 30, 2018 | 323,223 | $1,954,861 | $87,987 | $(1,857,682) | $(24,478) | $160,688 |

* Accumulated other comprehensive income (loss)

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

## NOTE 1 – THE COMPANY

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

On July 27, 2018, the Company completed the sale of its 50% interest in the Galore Creek Partnership (GCP) and its 40% interest in the Copper Canyon mineral property in British Columbia, Canada (together the "Galore Creek" assets). As a result, the Company presents Galore Creek as a discontinued operation for all periods presented. Accordingly, the Galore Creek assets and liabilities as of November 30, 2017, are reflected as held for sale in the Consolidated Balance Sheets, the Consolidated Statements of Loss and Comprehensive Loss and Cash Flows have been reclassified to present Galore Creek as a discontinued operation for all periods presented, and the amounts presented in these notes relate only to continuing operations unless otherwise noted. For additional information regarding discontinued operations, see Note 4.

## 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; notes receivable; contingent notes receivable; 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 including, 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 consist of cash balances and highly liquid investments with original maturities of three months or less that are considered to be cash equivalents. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. 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 investment in the Donlin Gold project. The Company identified Donlin Gold LLC as a Variable Interest Entity (VIE) as the entity is dependent on funding from its owners. All funding, ownership, voting rights and power to exercise control is shared equally on a 50/50 basis between the owners of the VIE. Therefore, the Company has determined that it is not the primary beneficiary of the VIE. The Company’s maximum exposure to loss is its equity investment in Donlin Gold LLC.

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

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

**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 Statements of Loss over the requisite employee service period. The fair values of stock options are determined using a Black-Scholes option pricing model. The fair values of PSUs are determined using a Monte Carlo valuation model. The Company's estimates may be impacted by certain variables including, but not limited to, stock price volatility, employee stock option exercise behaviors, additional stock option grants, estimates of forfeitures, the Company's performance and the Company’s performance in relation to its peers.

**Net income (loss) per common share**

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

**Reclassifications**

On July 25, 2018, the Company agreed to sell its 50% interest in the Galore Creek Partnership (GCP) and its 40% interest in the Copper Canyon mineral property in British Columbia, Canada (together the "Galore Creek" assets) to Newmont Mining Corporation ("Newmont"). The transaction was completed on July 27, 2018. Accordingly, the Galore Creek assets and liabilities as of November 30, 2017, are reflected as held for sale in the Consolidated Balance Sheets, the Consolidated Statements of Loss and Comprehensive Loss and Cash Flows have been reclassified to present Galore Creek as a discontinued operation for all periods presented, and the amounts presented in these notes relate only to continuing operations unless otherwise noted. For additional information regarding discontinued operations, see Note 4.

**Recently adopted accounting pronouncements**

*Compensation—Stock Compensation*

In May 2017, Accounting Standard Update (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 adoption of this guidance, effective December 1, 2017, had no impact on the Consolidated Financial Statements or disclosures.

**Recently issued accounting pronouncements**

*Restricted Cash*

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

*Statement of Cash Flows*

In August 2016, ASU No. 2016-15 was issued related to the statement of cash flows. The new guidance will require the Company to make an accounting policy election to classify distributions received from its equity method investee, Donlin Gold LLC, 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 Statements of Cash Flows or disclosures. The Company anticipates retrospectively adopting the new guidance effective December 1, 2018 and does not expect it to have a material impact on the Consolidated Financial Statements or disclosures.

*Leases*

In February 2016, ASU No. 2016-02 was issued related to leases, which was further amended in September 2017 by ASU No. 2017-13, in January 2018 by ASU No. 2018-01 and in July 2018 by ASU No. 2018-10 and ASU No. 2018-11. The new guidance modifies the classification criteria and requires lessees to recognize right-of-use assets and lease liabilities arising from most leases on the balance sheet with additional disclosures about leasing arrangements. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018, and early adoption is permitted. The Company will adopt the new guidance effective December 1, 2019. Adoption of this guidance is not expected to materially increase the Company's assets and liabilities.

*Classification and Measurement of Financial Instruments*

In January 2016, ASU No. 2016-01 was issued to amend the guidance on the classification and measurement of financial instruments, which was further amended in February 2018 by ASU No. 2018-03. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The new guidance also amends certain disclosure requirements associated with the fair value of financial instruments. The new guidance is effective for the Company's fiscal year beginning December 1, 2018. The Company expects the updated guidance to result in a reclassification of unrealized holding gains and losses and deferred income taxes related to investments in marketable equity securities from *Accumulated other comprehensive loss* to *Accumulated deficit* in the Consolidated Balance Sheets upon adoption. Accumulated other comprehensive loss at November 30, 2018 included $378 of net unrealized holding gains and deferred income taxes related to marketable equity securities that will be reclassified to *Accumulated deficit* upon adoption.

*Fair Value Disclosure Requirements*

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

**NOTE 3 – SEGMENTED INFORMATION**

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

**NOTE 4 – DISCONTINUED OPERATIONS**

*Galore Creek transaction*

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

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

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Equity loss – Galore Creek | $(1,203) | $(1,676) | $(1,149) |
| Income tax expense | — | (425) | — |
| Galore Creek operations, net of tax | (1,203) | (2,101) | (1,149) |
| Loss on sale of Galore Creek, net of tax | (80,096) | — | — |
| | $(81,299) | $(2,101) | $(1,149) |

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

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

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

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

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Funding of GCP | $(1,475) | $(1,600) | $(1,020) |
| Net cash proceeds received | 99,279 | — | — |
| Reclamation deposits | 4,644 | (203) | — |
| Exploration tax credit | — | — | 1,516 |
| | $102,448 | $(1,803) | $496 |

The carrying amounts of Galore Creek's major classes of assets and liabilities, which are presented as held for sale in the comparative Consolidated Balance Sheet as of November 30, 2017, are as follows:

| | |
|---|---|
| Non-current assets held for sale: | |
| Investment in GCP | $251,461 |
| Copper Canyon mineral property | 45,179 |
| Reclamation deposits | 5,035 |
| Deferred income tax assets | 9,553 |
| | $311,228 |
| | |
| Non-current liabilities held for sale: | |
| Deferred income tax liabilities | $21,170 |

*Investment in Galore Creek through July 27, 2018*

The Galore Creek project is owned by GCP, a partnership in which Teck and a subsidiary of Newmont (formerly a wholly-owned subsidiary of NOVAGOLD prior to the completion of the sale transaction on July 27, 2018) each own a 50% interest. GCP has a management committee comprised of four representatives, with two representatives selected by each owner. All significant decisions related to GCP required 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 through July 27, 2018, 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, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Balance – beginning of period | $251,461 | $241,404 | $242,906 |
| Share of losses | | | |
| Mineral property expenditures | — | (48) | (169) |
| Care and maintenance expense | (1,203) | (1,628) | (980) |
| | (1,203) | (1,676) | (1,149) |
| Funding | 1,475 | 1,600 | 1,020 |
| Foreign currency translation | (3,366) | 10,133 | (1,373) |
| Sale of investment in GCP | (248,367) | — | — |
| Balance – end of period | $— | $251,461 | $241,404 |

The following amounts represent the Company's 50% share of the assets and liabilities of GCP as of November 30, 2017, 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 was higher than 50% of the book value of GCP. Therefore, the Company's investment did not equal 50% of the net assets recorded by GCP:

| | |
|---|---|
| Current assets: Cash, prepaid expenses and other receivables | $197 |
| Non-current assets: Mineral property | 226,561 |
| Current liabilities: Accounts payable and accrued liabilities | (237) |
| Non-current liabilities: Reclamation obligation | (7,645) |
| Net assets | $218,876 |

## NOTE 5 – NOTES RECEIVABLE

The Company has notes receivable from Newmont including a $75,000 note receivable upon the earlier of the completion of a new Galore Creek project pre-feasibility study or July 27, 2021, and a $25,000 note receivable upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023. On closing of the Galore Creek sale, the Company estimated the fair value of the $75,000 and $25,000 notes receivable at $88,398, assuming payments in three and five years, respectively, at a discount rate of 3.6% based on quoted market values for Newmont debt with a similar term. The carrying value of the notes receivable are being accreted to $75,000 and $25,000 over three and five years, respectively. At November 30, 2018, the carrying value of the notes receivable was $89,459 including $1,061 of accumulated accretion. A contingent note for $75,000 is receivable upon approval of a Galore Creek project construction plan by the owner(s). No value was assigned to the final $75,000 contingent note receivable. The Company determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale. The Company's assessment did not change as of November 30, 2018.

## NOTE 6 – INVESTMENT IN DONLIN GOLD

The Donlin Gold project is owned and operated by Donlin Gold LLC, a limited liability company in which wholly-owned subsidiaries of 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* are summarized as follows:

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Balance – beginning of period | $1,100 | $951 | $1,058 |
| Share of losses | | | |
| Mineral property expenditures | (8,785) | (11,139) | (8,689) |
| Depreciation | (13) | (80) | (130) |
| | (8,798) | (11,219) | (8,819) |
| Funding | 8,907 | 11,368 | 8,712 |
| Balance – end of period | $1,209 | $1,100 | $951 |

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

| | At November 30, | |
|---|---|---|
| | 2018 | 2017 |
| Current assets: Cash, prepaid expenses and other receivables | $1,872 | $2,075 |
| Non-current assets: Property and equipment | 10 | 23 |
| Non-current assets: Mineral property | 32,692 | 32,692 |
| Current liabilities: Accounts payable and accrued liabilities | (673) | (998) |
| Non-current liabilities: Reclamation obligation | (692) | (692) |
| Net assets | $33,209 | $33,100 |

## NOTE 7 – OTHER ASSETS

| | At November 30, 2018 | 2017 |
|---|---|---|
| Other current assets: | | |
| Accounts and interest receivable | $1,781 | $303 |
| Prepaid expenses | 598 | 580 |
| | $2,379 | $883 |
| Other long-term assets: | | |
| Marketable equity securities | $839 | $1,448 |
| Office equipment | 39 | 48 |
| | $878 | $1,496 |

## NOTE 8 – PROMISSORY NOTE

The Company has a promissory note payable to Barrick of $96,501, comprised of principal of $51,576, and $44,925 in accrued interest at U.S. prime plus 2%. The promissory note resulted from the agreement that led to the formation of Donlin Gold LLC, where the Company agreed to reimburse Barrick for a portion of their expenditures incurred from April 1, 2006 to November 30, 2007. The promissory note and accrued interest are payable from 85% of the Company's share of revenue from future mine production or from any net proceeds resulting from a reduction of the Company's interest in Donlin Gold LLC. The carrying value of the promissory note approximates fair value.

## 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 $839 at November 30, 2018 ($1,448 at November 30, 2017), calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

## NOTE 10 – GENERAL AND ADMINISTRATIVE

| | Years ended November 30, 2018 | 2017 | 2016 |
|---|---|---|---|
| Share-based compensation (Note 13) | $7,727 | $10,293 | $10,263 |
| Salaries and benefits | 6,531 | 6,470 | 6,167 |
| Office expense | 2,346 | 2,140 | 2,035 |
| Professional fees | 949 | 873 | 680 |
| Corporate communications and regulatory | 918 | 992 | 1,001 |
| Depreciation | 22 | 34 | 33 |
| | $18,493 | $20,802 | $20,179 |

## NOTE 11 – OTHER INCOME (EXPENSE)

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Interest income | $1,998 | $1,114 | $877 |
| Accretion of notes receivable | 1,061 | 58 | 70 |
| Interest expense on promissory note | (6,461) | (5,228) | (4,551) |
| Foreign exchange gain (loss) | (171) | (531) | 182 |
| Write-down of investments | (76) | — | — |
| | $(3,649) | $(4,587) | $(3,422) |

During 2018, the Company recognized impairments of investments in marketable equity securities for other-than-temporary declines in value of $76. At November 30, 2018, there were no unrealized losses on marketable 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 resulted in an increase in the Company's statutory tax rate from 26% in 2017, to 26.92% in 2018, and to 27% in 2019 onward.

The U.S. tax reform enacted on December 22, 2017, decreased the U.S. corporate federal income tax rate from 35% to 21% effective January 1, 2018. The impact of the federal rate change to the deferred tax assets and liabilities was recognized in the year ended November 30, 2018. There was a reduction in the tax benefit of $73,135 from the U.S. entities primarily due to the re-measurement of deferred tax assets and liabilities which are fully offset by a valuation allowance. This adjustment increases the effective tax rate by 236%. However, there is a release of valuation allowance to fully offset the increase. Net operating losses (NOLs) arising in tax years ending after December 31, 2017 can be carried over to each tax year following the year of the loss indefinitely. For the year ended November 30, 2018, the U.S. entities generated NOLs of $13,164 that will carryover indefinitely.

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

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Current: | | | |
| Canada | $— | $— | $— |
| Foreign | 446 | 350 | 346 |
| | 446 | 350 | 346 |
| Deferred: | | | |
| Canada | — | (43) | (69) |
| Foreign | 80 | — | — |
| | 80 | (43) | (69) |
| Income tax expense | $526 | $307 | $277 |

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

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Canada | $(15,018) | $(18,825) | $(17,763) |
| Foreign | (15,922) | (17,783) | (14,657) |
| | $(30,940) | $(36,608) | $(32,420) |

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, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Loss before income taxes and other items | $(30,940) | $(36,608) | $(32,420) |
| Combined federal and provincial statutory tax rate | 26.92% | 26% | 26% |
| Income tax recovery based on statutory income tax rates | (8,329) | (9,518) | (8,429) |
| Reconciling items: | | | |
| Effect of statutory tax rate change | 73,135 | (2,566) | — |
| Non-deductible expenditures | 2,150 | 2,485 | 2,607 |
| Foreign accrual property income | 580 | (439) | 862 |
| Effect of different statutory tax rates on earnings or losses of subsidiaries | (574) | (2,690) | (2,218) |
| Effect of tax losses expired | — | 8 | 6 |
| Change in valuation allowance on deferred tax assets | (66,466) | 12,954 | 7,397 |
| Other | 30 | 73 | 52 |
| Income tax expense | $526 | $307 | $277 |

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

| | At November 30, | |
|---|---|---|
| | 2018 | 2017 |
| Deferred tax income assets: | | |
| Asset retirement obligation | $52 | $75 |
| Net operating loss carry forwards | 170,044 | 223,565 |
| Capital loss carry forwards | 48,062 | 32,988 |
| Mineral properties | 637 | 658 |
| Intangible assets | 472 | 488 |
| Property and equipment | 194 | 205 |
| Investment in affiliates | 31,934 | 44,484 |
| Share issuance costs | — | 74 |
| Unpaid interest expense | 2,105 | 3,044 |
| Unrealized loss on investments | 380 | 329 |
| Investment tax credit | 30 | 31 |
| Other | 775 | 1,118 |
| | 254,685 | 307,059 |
| Valuation allowances | (254,072) | (306,851) |
| | 613 | 208 |
| Deferred income tax liabilities: | | |
| Investment tax credit | (8) | (9) |
| Unrealized gain on investments | — | (22) |
| Capitalized assets and other | (685) | (177) |
| | (693) | (208) |
| Net deferred income tax liabilities | $80 | $— |

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

Net deferred income tax assets and liabilities consist of:

| | At November 30, 2018 | At November 30, 2017 |
|---|---|---|
| Long-term deferred income tax: | | |
| Assets | $— | $— |
| Liabilities | 80 | — |
| | $80 | $— |

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

| Year of Expiry | U.S. | Canada |
|---|---|---|
| 2024 | $1,032 | $— |
| 2025 | 1,246 | — |
| 2026 | 13,382 | 18,682 |
| 2027 | 18,493 | 1,814 |
| 2028 | 85 | — |
| 2029 | 11,223 | 11,758 |
| 2030 | 10,916 | 15,646 |
| 2031 | 16,580 | 15,571 |
| 2032 | 309,772 | 19,003 |
| 2033 | 14,529 | 14,340 |
| 2034 | 15,607 | 7,563 |
| 2035 | 16,383 | 5,463 |
| 2036 | 14,764 | 8,095 |
| 2037 | 14,111 | 7,936 |
| 2038 | — | 7,342 |
| Indefinite | 13,164 | — |
| | $471,287 | $133,213 |

Under the U.S. tax reform, net operating losses arising in tax years ending after December 31, 2017 can be carried over to each taxable year following the tax year of loss (indefinitely). The Company has capital loss carry-forwards of approximately $355,162 (November 30, 2017: $248,497) for Canadian tax purposes. These tax losses are carried forward indefinitely.

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

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax asset. Significant pieces of objective negative evidence evaluated included the cumulative loss incurred as of November 30, 2018. 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, 2018, a valuation allowance of $254,072 (November 30, 2017: $306,851) 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 as of November 30, 2018, 2017 and 2016. The Company recognizes any interest and penalties related to uncertain tax positions, if any, as income tax expense. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheet. As of November 30, 2018, 2017 and 2016, there were no accrued interest and penalties related to uncertain tax positions. The Company is subject to income taxes in Canada and the United States. With few exceptions, the tax years that remain subject to examination as of November 30, 2018 are 2014 to 2018 in Canada and 2015 to 2018 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, 2018, 25.3 million common shares were available for future share incentive plan awards.

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

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Stock options | $3,767 | $5,496 | $5,855 |
| Performance share unit plan | 3,783 | 4,588 | 4,184 |
| Deferred share unit plan | 177 | 209 | 224 |
| | $7,727 | $10,293 | $10,263 |

### Stock options

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

A summary of stock options outstanding as of November 30, 2018, and activity during the year ended November 30, 2018 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, 2017 | 17,551 | $3.24 | | |
| Granted | 3,527 | 3.88 | | |
| Exercised | (2,672) | 2.62 | | |
| Expired | (130) | 3.38 | | |
| Forfeited | (393) | 4.10 | | |
| November 30, 2018 | 17,883 | $3.36 | 2.00 | $3,274 |
| Vested and exercisable as of November 30, 2018 | 13,494 | $3.14 | 1.43 | $3,274 |

The following table summarizes other stock option-related information:

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Weighted-average assumptions used to value stock option awards: | | | |
| Expected volatility | 50% | 50% | 54% |
| Expected term of options (years) | 3 | 3 | 3 |
| Expected dividend rate | — | — | — |
| Risk-free interest rate | 1.8% | 1.2% | 0.5% |
| Expected forfeiture rate | 2.3% | 2.5% | 3.0% |
| Weighted-average grant-date fair value | $1.35 | $1.60 | $1.37 |
| Intrinsic value of options exercised | $3,744 | $5,014 | $1,510 |
| Cash received from options exercised | — | — | — |

As of November 30, 2018, the Company had $1,861 of unrecognized compensation cost related to 4,389,000 non-vested stock options expected to be recognized and vest over a period of approximately two years.

**Performance share units**

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

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

A summary of PSU awards outstanding and activity during the year ended November 30, 2018 are as follows:

| | Number of PSU awards (thousands) | Weighted-average grant day fair value per award | Aggregate intrinsic value |
|---|---|---|---|
| November 30, 2017 | 2,176 | $4.10 | |
| Granted | 873 | 3.85 | |
| Expired | (1,240) | 3.48 | |
| Forfeited | (12) | 4.32 | |
| November 30, 2018 | 1,797 | $4.39 | $6,943 |

During 2018, 1,240,000 PSU awards expired with no value. As of November 30, 2018, the Company had 1,797,400 non-vested PSU awards outstanding of which 931,400 were fully expensed and vested in December 2018 with a multiplier of 82%, and 866,000 non-vested PSU awards with $1,890 of unrecognized compensation cost expected to be recognized and vest over a period of approximately two years.

The following table summarizes other PSU-related information:

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Performance multiplier on PSUs vested | —% | 113% | 140% |
| Common shares issued (thousands) | — | 1,513 | 1,377 |
| Total fair value of common shares issued | $— | $6,932 | $5,151 |
| Withholding tax paid on PSUs vested | $— | $196 | $4,275 |

**Deferred share units**

The Company has a DSU plan that provides for the issuance of DSUs in amounts where the Directors receive half of their annual retainer in DSUs and have the option to elect to receive all or a portion of the other half of their annual retainer in DSUs. Each DSU entitles the Directors to receive one common share when they retire from the Company. The Company granted 45,103, 48,830 and 44,770 DSUs to Directors with a weighted-average grant day fair value of $4.07, $4.36 and $4.92 per DSU during 2018, 2017 and 2016, respectively. The Company issued 98,160, 27,536 and nil common shares under the DSU plan in 2018, 2017 and 2016, respectively. At November 30, 2018, there were 254,633 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 323,222,840 were issued and outstanding as of November 30, 2018, and 322,219,187 were issued and outstanding as of November 30, 2017.

**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, 2018 and 2017, 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, 2017 | $843 | $(7,018) | $(6,175) |
| Change in other comprehensive income (loss) before reclassifications | (541) | (4,062) | (4,603) |
| Impairment of marketable equity securities net of $nil tax recovery[1] | 76 | — | 76 |
| Reclassification of cumulative foreign currency translation adjustments (Note 4) | — | (13,776) | (13,776) |
| Net current-period other comprehensive income (loss) | (465) | (17,838) | (18,303) |
| November 30, 2018 | $378 | $(24,856) | $(24,478) |

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

There were no amounts reclassified out of *Accumulated other comprehensive income (loss)* in 2017 or 2016.

**NOTE 16 – RELATED PARTY TRANSACTIONS**

The Company provided technical services to Donlin Gold LLC for $658 in 2018 ($nil in 2017 and 2016). As of November 30, 2018, the Company has accounts receivable from Donlin Gold LLC of $247 (November 30, 2017: $nil) included in *Other current assets*.

The Company provided office rental and services to GCP for $nil in 2018, $207 in 2017 and $335 in 2016. As of November 30, 2017, the Company had accounts receivable from GCP of $3,674 included in *Non-current assets held for sale*.

**NOTE 17 – COMMITMENTS AND CONTINGENCIES**

**General**

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 and estimated range of loss, if determinable, is made in the financial statements when it is at least reasonably possible that a material loss could be incurred.

**Obligations under operating leases**

The Company leases certain assets, such as office equipment and office facilities, under operating leases expiring at various dates through 2023. Future minimum annual lease payments are $226 in 2019, $199 in 2020, $204 in 2021, $210 in 2022, and $18 in 2023, totaling $857.

**NOTE 18 – SUPPLEMENTAL CASH FLOW INFORMATION**

| | Years ended November 30, | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Interest received | $1,038 | $1,101 | $878 |
| Income taxes paid | $331 | $343 | $327 |

**Non-cash Investing Activities**

During 2018, the Company recorded a non-cash increase to long-term notes receivable of $88,398 as a portion of the proceeds received on the sale of the Galore Creek assets (Note 4).

## NOTE 19 – UNAUDITED SUPPLEMENTARY DATA

### Quarterly data

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

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

| | 2017 | | | |
|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 |
| Loss from operations | $(8,813) | $(7,333) | $(7,811) | $(8,064) |
| Net loss from continuing operations | $(9,993) | $(8,237) | $(9,781) | $(8,904) |
| Net loss from discontinued operations | (150) | (225) | (612) | (1,114) |
| Net loss | $(10,143) | $(8,462) | $(10,393) | $(10,018) |
| Net loss per common share, basic and diluted | | | | |
| Continuing operations | $(0.03) | $(0.03) | $(0.03) | $(0.03) |
| Discontinued operations | — | — | — | — |
| | $(0.03) | $(0.03) | $(0.03) | $(0.03) |

Significant after-tax items were as follows:

| | |
|---|---|
| Fourth quarter 2018: | n/a |
| Third quarter 2018: | *Loss on sale of Galore Creek, net of tax*, $80,026 ($0.25 per share loss – basic and diluted) |
| Second quarter 2018: | n/a |
| First quarter 2018: | n/a |
| Fourth quarter 2017: | n/a |
| Third quarter 2017: | n/a |
| Second quarter 2017: | n/a |
| First quarter 2017: | n/a |