



NOVAGOLD RESOURCES INC.
ANNUAL REPORT TO ACCOMPANY MANAGEMENT
INFORMATION CIRCULAR
FOR YEAR ENDED NOVEMBER 30, 2016

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OVERVIEW

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

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

We were incorporated by memorandum of association on December 5, 1984, under the Companies Act (Nova Scotia) as 1562756 Nova Scotia Limited. On January 14, 1985, we changed our name to NovaCan Mining Resources (1985) 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.

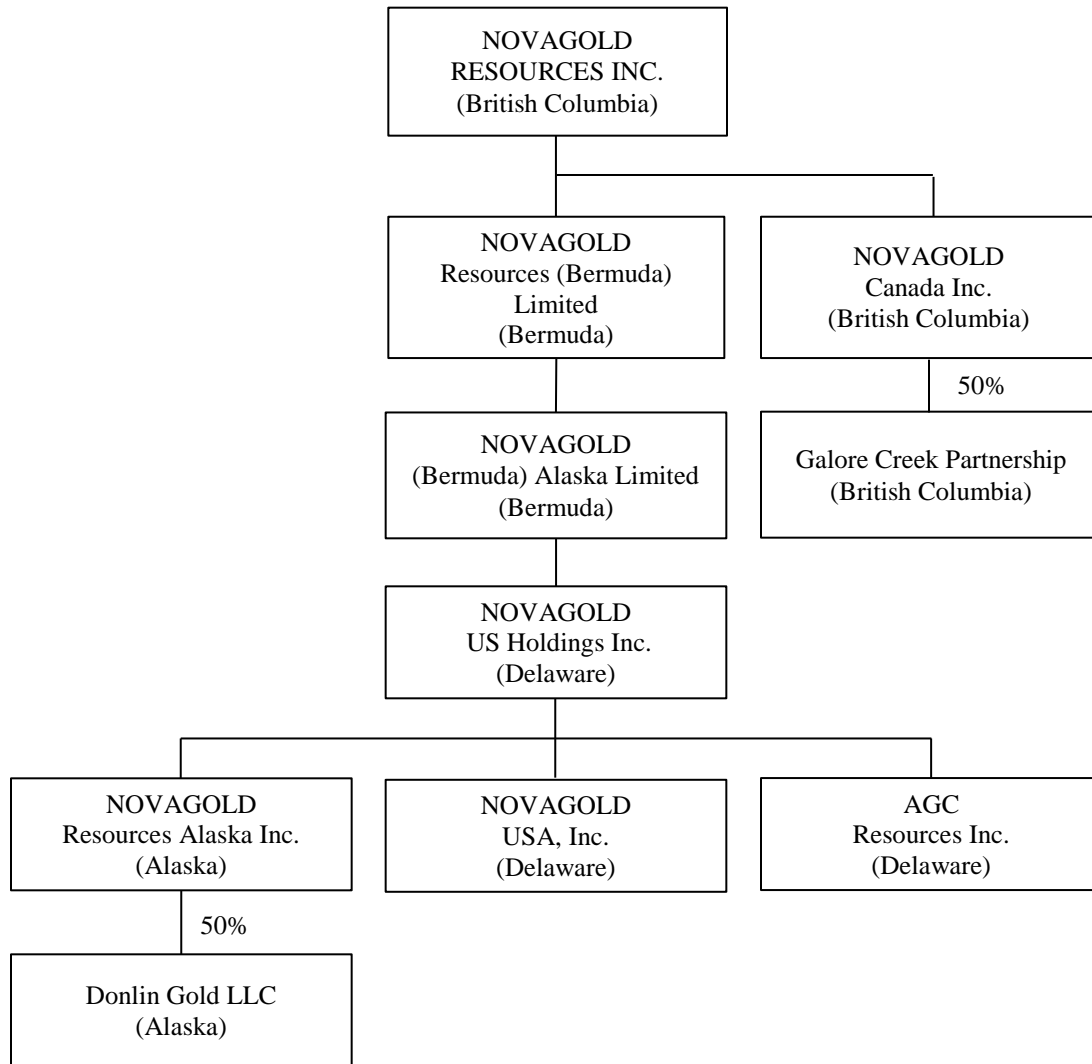
CURRENCY

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

Corporate Structure

As of November 30, 2016, we had the following material, direct and indirect, wholly-owned subsidiaries: NOVAGOLD Resources Alaska, Inc., NOVAGOLD US Holdings Inc., NOVAGOLD USA, Inc., NOVAGOLD (Bermuda) Alaska Limited, NOVAGOLD Resources (Bermuda) Limited and NOVAGOLD Canada Inc.

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



Employees

On November 30, 2016, we had 13 full-time employees. We also use consultants with specific skills to assist with various aspects of project evaluation, engineering and corporate governance.

Segment and Geographical Information

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

Long-lived assets

(\$ thousands)	At November 30,		
	2016	2015	2014
Canada	\$290,531	\$291,765	\$340,520
United States	995	2,067	3,521
	<u>\$291,526</u>	<u>\$293,832</u>	<u>\$344,041</u>

Recent Developments

Donlin Gold Project

Permitting activities continued at Donlin Gold in 2016 and were mainly focused on providing the U.S. Army Corps of Engineers (the “Corps”), the lead agency for the Donlin Gold Environmental Impact Statement (EIS), with requested input and information as the Corps conducted and completed a six-month public comment period for the draft EIS, including 17 public comment meetings in communities across the Yukon-Kuskokwim (Y-K) region and in Anchorage, Alaska. The EIS is required by the National Environmental Policy Act (NEPA), the act that governs the process by which most major projects in the United States are evaluated. The EIS is also, in large part, a determining factor in the overall permitting timeline which commenced in 2012 for Donlin Gold.

The public comment meetings gave the Corps an opportunity to present an overview of the draft EIS, which evaluates the potential environmental, social and economic impact of the proposed project together with alternatives. The meetings also served as an excellent platform for stakeholders to ask questions and provide comments on the draft EIS. The Corps received comments from federal and state agencies, local and tribal governments, Alaska Native organizations, businesses, special interest groups/non-governmental organizations, and individuals. The Corps is reviewing the comments to assess what studies or work would be required to prepare the final EIS. The Corps is reviewing the comments on the draft EIS and will respond to all comments in a final EIS which the Corps’ current schedule anticipates will be published in early 2018. The final EIS is required before the Corps can issue a record of decision on Donlin Gold’s Clean Water Act Section 404 (wetland) and 10 (rivers and harbors) permit application. All Donlin Gold EIS documents, including the Corps’ time table for the Donlin Gold EIS process, can be found on their website at www.donlingoldeis.com. In addition to actively participating in the NEPA process, Donlin Gold continues to work simultaneously with the Corps and other permitting agencies to advance major permits and applications. Donlin Gold remains actively engaged in sponsorship activities at the community level, supporting local youth in leadership endeavors, visiting communities in the Y-K region and executing on its workforce development strategy.

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

Galore Creek Project

During 2016, the Galore Creek Partnership continued to advance technical studies to optimize the project design. Final reports were completed on the first phase of the tunneling evaluation for access and material handling as well as enhancements to the mining, waste rock and water management plans.

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

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

Reclamation

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

Government and Environmental Regulations

Our exploration and development activities are subject to various national, state, provincial and local laws and regulations in the United States and Canada, which govern prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters. We have obtained or have pending applications for those licenses, permits or other authorizations currently required to conduct our exploration and development programs. We believe that we are in compliance in all material respects with applicable mining, health, safety and environmental statutes and regulations in the United States and Canada. There are no current orders or directions relating to us with respect to the foregoing laws and regulations. For a more detailed discussion of the various government laws and regulations applicable to our operations and potential negative effects of these laws and regulations, see section *Item 1A, Risk Factors*, in our Annual Report on Form 10-K for the year ended November 30, 2016 filed with the U.S. Securities and Exchange Commission (“SEC”) on January 25, 2017.

Competition

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

Availability of Raw Materials and Skilled Employees

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

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

Seasonality

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

Gold Price History

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

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

<u>Year</u>	<u>High</u>	<u>Low</u>	<u>Average</u>
2012	\$1,792	\$1,540	\$1,669
2013	\$1,694	\$1,192	\$1,411
2014	\$1,385	\$1,142	\$1,266
2015	\$1,296	\$1,049	\$1,160
2016	\$1,366	\$1,077	\$1,251
2017 (to January 17)	\$1,216	\$1,151	\$1,184

Data Source: www.kitco.com

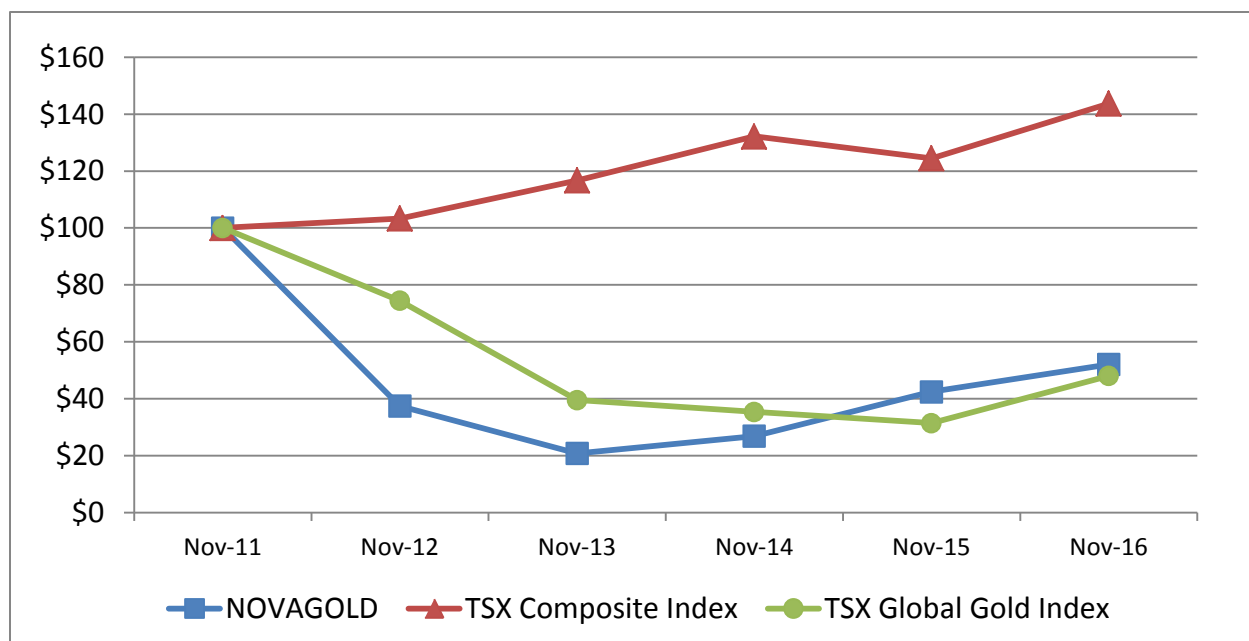
Market Information

Our common shares trade on the New York Stock Exchange (NYSE-MKT) and on the Toronto Stock Exchange (TSX) under the symbol "NG." On January 17, 2017, there were 652 holders of record of our shares, which does not include shareholders for which shares are held in nominee or street name. We believe that more than half of our common shares are beneficially owned by investors in the United States. The following table sets out the high and low closing prices per share of our common shares on the NYSE MKT and TSX for the periods indicated.

<u>Fiscal Year</u>	<u>Quarter</u>	<u>NYSE MKT</u>		<u>TSX</u>	
		<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
2016	Fourth	\$6.01	\$4.05	C\$7.69	C\$5.36
	Third	\$7.27	\$5.15	C\$9.53	C\$6.76
	Second	\$6.49	\$4.82	C\$8.26	C\$6.47
	First	\$4.96	\$3.54	C\$6.73	C\$5.17
2015	Fourth	\$4.05	\$3.05	C\$5.23	C\$4.05
	Third	\$4.18	\$2.65	C\$5.20	C\$3.42
	Second	\$4.25	\$2.72	C\$5.22	C\$3.46
	First	\$4.14	\$2.56	C\$5.17	C\$2.94

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, 2011, 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, 2011. 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\$	2012	2013	2014	2015	2016
Value based on C\$100 invested in the Company on November 30, 2011 ⁽¹⁾	37	21	27	42	52
Value based on C\$100 invested in S&P/TSX Composite Index on November 30, 2011	103	117	132	124	144
Value based on C\$100 invested in the S&P/TSX Global Gold Index on November 30, 2011	74	40	35	31	48

(1) Excludes the value of Trilogy Metals Inc. (fka NovaCopper Inc.) shares distributed to shareholders in 2012.

Dividends

We have never declared or paid dividends on our common shares and our current business plan requires that, for the foreseeable future, any future earnings be reinvested to finance growth and development of our business. We will pay dividends on our common shares only if and when declared by our Board. 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,				
(dollars in thousands, except per share)	2016	2015	2014	2013	2012
Loss from operations	\$(30,147)	\$(31,696)	\$(38,008)	\$(55,776)	\$(79,942)
Loss from continuing operations	\$(33,846)	\$(31,952)	\$(40,484)	\$(62,760)	\$(7,586)
Net loss from discontinued operations	\$—	\$—	\$—	\$—	\$(4,243)
Net loss attributable to shareholders	\$(33,846)	\$(31,952)	\$(40,484)	\$(62,760)	\$(11,829)
Loss per common share:					
Basic:					
Continuing operations	\$(0.11)	\$(0.10)	\$(0.13)	\$(0.20)	\$(0.03)
Discontinued operations	—	—	—	—	(0.02)
	\$(0.11)	\$(0.10)	\$(0.13)	\$(0.20)	\$(0.05)
Diluted:					
Continuing operations	\$(0.11)	\$(0.10)	\$(0.13)	\$(0.20)	\$(0.03)
Discontinued operations	—	—	—	—	(0.02)
	\$(0.11)	\$(0.10)	\$(0.13)	\$(0.20)	\$(0.05)
	As of November 30,				
	2016	2015	2014	2013	2012
Total assets	\$408,261	\$433,584	\$524,546	\$578,686	\$685,242
Long-term liabilities	\$104,947	\$100,771	\$100,204	\$108,684	\$94,907
Shareholders' equity	\$300,263	\$329,296	\$405,116	\$465,649	\$476,811

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

The following discussion and analysis of our financial condition and results of operations constitutes management's review of the factors that affected our financial and operating performance for the years ended November 30, 2016, 2015 and 2014. This discussion should be read in conjunction with the consolidated financial statements and notes thereto contained elsewhere in this report.

Overview

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

In 2016, 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

In 2016, permitting activities continued at Donlin Gold and were focused on advancing major permits and approvals with state and federal agencies as well as providing the U.S. Army Corps of Engineers (the "Corps"), the lead agency for the Donlin Gold Environmental Impact Statement (EIS), with requested input and information. The EIS is required by the National Environmental Policy Act (NEPA), the act that governs the process by which most major projects in the United States are evaluated. The EIS is also, in large part, a determining factor in the overall permitting timeline which commenced in 2012 for Donlin Gold. This document is comprised of four main sections which:

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

The Corps filed the draft EIS in November 2015. Following the filing of the draft EIS, the Corps conducted 17 meetings in communities across the Yukon-Kuskokwim (Y-K) region and in Anchorage. The six-month public comment period for the draft EIS was completed on May 31, 2016. The public comment meetings gave the Corps an opportunity to present an overview of the draft EIS, which evaluates the potential environmental, social and economic impacts of the proposed project together with alternatives. The meetings also served as an excellent platform for stakeholders to ask questions and provide comments on the draft EIS. The Corps received comments from federal and state agencies, local and tribal governments, Alaska Native organizations, businesses, special interest groups/non-governmental organizations, and individuals. Working sessions were held with the cooperating agencies to review and discuss four key topics raised during the draft EIS comment period including: water resources and management, tailings management and spill risks, mercury fate and transport and barging operations. The Corps is reviewing the comments on the draft EIS and will respond to all comments in a final EIS which the Corps' current schedule anticipates will be published in early 2018. The final EIS is required before the Corps can issue a record of decision on Donlin Gold's Clean Water Act Section 404 (wetland) and 10 (rivers and harbors) permit application. All Donlin Gold EIS documents, including the Corps' time table for the Donlin Gold EIS process, can be found on their website at www.donlingoldeis.com.

In addition to actively participating in the NEPA process, Donlin Gold continues to advance other major permits and approvals, including:

- incorporating field work completed during 2016 into an updated preliminary jurisdictional determination which Donlin Gold will submit to the Corps to support the Section 404 permit application.

- working with Calista and other interested parties in developing a compensatory mitigation plan for wetland impact associated with the project;
- submission of major State of Alaska permit applications (e.g., air quality permit to construct, integrated waste management plan, reclamation plan, and water discharge permit) which the State anticipates issuing draft permits for public comment in 2017;
- the Pipeline and Hazardous Materials Safety Administration opened a docket for Donlin Gold's special permit to construct the natural gas pipeline;
- the State of Alaska conducted public scoping and received comments on Donlin Gold's applications for proposed uses of State of Alaska lands for development of the project, and
- Donlin Gold continues to work with state and federal agencies to advance issuance of all other required permits, including dam safety approvals, water use permits and authorizations, fish habitat permits, and land and shoreline lease and right-of-way approvals.

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

Donlin Gold remains actively engaged in extensive outreach efforts with local stakeholders, providing sponsorship activities at the community level, supporting local youth in leadership endeavors, visiting communities in the Y-K region and executing its workforce development strategy.

As the Donlin Gold EIS and permitting processes progress, the owners (Barrick Gold Corporation and NOVAGOLD) continue to study ways to further enhance the project's value and minimize initial capital through enhanced project design and execution, engagement of third-party operators for certain activities and potential for third-party financing of some capital intensive infrastructure. To date, these additional studies have identified opportunities that have the potential to benefit the project when the owners decide to update the feasibility study, which was completed in 2011, and to initiate the engineering work necessary to advance the project design from feasibility level to basic and then detailed engineering. The owners will take all of this work into account before reaching a construction decision.

Our share of funding for Donlin Gold in 2016 was \$8.7 million for permitting, community engagement and development efforts. Our 50% share of the 2017 work program is expected to be approximately \$10 million. The 2017 work program and budget includes funds to continue to advance the permitting process through issuance of the final EIS. In addition, Donlin Gold will continue to maintain its engagement with communities in the Y-K region.

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

Galore Creek project

In 2016, the Galore Creek Partnership continued to advance technical studies to optimize the project design. Final reports were completed on the first phase of the tunneling evaluation for access and material handling as well as enhancements to the mining, waste rock and water management plans. We expect this effort to further improve the value and marketability of the Galore Creek project, which we continue to be open to monetizing, in whole or in part, to strengthen our balance sheet and to contribute toward the development of the Donlin Gold project.

Our share of cash funding for Galore Creek was \$1.0 million in 2016, primarily for technical studies, care and maintenance, and supporting community initiatives. In 2017, our 50% share of the work program is expected to be approximately \$2 million to continue to advance technical studies, support community initiatives and provide site care and maintenance.

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

Maintained our strong financial position

Cash and term deposits decreased by \$21.5 million in 2016, \$3.5 million less than originally planned and, excluding the \$15.8 million repayment of the remaining convertible notes in 2015, was \$1.3 million less than in the prior year. Cash and term deposits totaled \$105.3 million at November 30, 2016.

Outlook

Our goals for 2017 include:

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

We do not currently generate operating cash flows. At November 30, 2016, we had cash and cash equivalents of \$30.3 million and term deposits of \$75.0 million. At present, we believe that these balances are sufficient to cover the anticipated funding at the Donlin Gold and Galore Creek projects in addition to general and administrative costs through completion of permitting of the Donlin Gold project. Additional capital will be necessary if permits are received for the Donlin Gold project and a decision to commence engineering and construction is reached. Future financings to fund construction are anticipated through debt, equity, project specific debt, and/or other means. Our continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. However, there can be no assurance that we will be successful in our efforts to raise additional capital. For further information, see section *Item 1A, Risk Factors - Our ability to continue the exploration, permitting, development, and construction of the Donlin Gold and Galore Creek projects, and to continue as a going concern, will depend in part on our ability to obtain suitable financing* in our Annual Report on Form 10-K for the year ended November 30, 2016 filed with the SEC on January 25, 2017.

In 2017, we expect to spend approximately \$23 million, including \$11 million for general and administrative costs, \$10 million to fund our share of expenditures at the Donlin Gold project and \$2 million at the Galore Creek project. Funding requirements for our share of joint Donlin Gold studies with Barrick will be determined later in 2017.

Summary of Consolidated Financial Performance

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

Results of Operations

2016 compared to 2015

Loss from operations decreased \$1.6 million from \$31.7 million in 2015 to \$30.1 million in 2016. The decrease resulted from lower losses from the equity investment in the Donlin Gold project. Our share of losses at the Donlin Gold project decreased by \$2.2 million, as 2016 activities continued to focus primarily on the EIS and permitting. At the Galore Creek project, our share of losses increased by \$0.8 million due to a gain on the sale of surplus equipment in the prior year.

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

2015 compared to 2014

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

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

Liquidity, Capital Resources and Capital Requirements

(\$ thousands)	Years ended November 30,		
	2016	2015	2014
Cash used in operating activities	\$(11,696)	\$(11,426)	\$(9,808)
Cash used in investing activities	\$268	\$(964)	\$(967)
Cash used in financing activities	\$—	\$(15,829)	\$—

(\$ thousands)	At November 30,		
	2016	2015	Change
Cash and cash equivalents	\$30,274	\$41,731	\$(11,457)
Term deposits	\$75,000	\$85,000	\$(10,000)

During 2016, cash and cash equivalents decreased by \$11.5 million and term deposits decreased by \$10.0 million. The total decrease in cash and term deposits of \$21.5 million was primarily related to \$11.7 million used in operating activities for administrative costs and \$9.7 million to fund our share of the Donlin Gold and Galore Creek projects.

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

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

2016 compared to 2015

Cash used in operating activities increased by \$0.3 million primarily due to higher withholding taxes paid on performance share units vested in the first quarter of 2016, partially offset by the receipt of exploration tax credits resulting from drilling programs

at Galore Creek in prior years and lower interest payments due to the repurchase of convertible notes in 2015. Cash used in investing activities to fund our share of the Donlin Gold and Galore Creek projects decreased by \$1.2 million in 2016 due to the timing of Donlin Gold funding requirements for permitting. Term deposits decreased by \$10.0 million in each of 2016 and 2015. There was no cash used in financing activities in 2016. Financing activities in 2015 included the repurchase of the remaining convertible notes.

2015 compared to 2014

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

Contractual Obligations

Our contractual obligations as of November 30, 2016 were as follows:

(\$ thousands)	Total	Less	1-3	3-5	More than
		than 1	years	years	5 years
		year			
Reclamation and remediation	\$214	\$214	\$—	\$—	\$—
Office and equipment leases	343	325	18	—	—
Promissory note	84,812	—	—	—	84,812
Total	\$85,369	\$539	\$18	\$—	\$84,812

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 17, 2017, we had 321,529,277 common shares issued and outstanding. As of January 17, 2017, we had: i) a total of 21,899,341 stock options outstanding; 18,976,041 of those stock options with a weighted-average exercise price of C\$4.12 and the remaining 2,923,300 with a weighted-average exercise price of US\$4.58; and ii) 2,182,400 performance share units and 299,471 deferred share units outstanding. Upon exercise of the foregoing convertible securities, the Company would be required to issue a maximum of 25,472,412 common shares.

Related party transactions

The Company provided management services to Donlin Gold LLC for \$nil in 2016 and 2015, and \$235,000 in 2014; office rental and services to Galore Creek Partnership for \$335,000 in 2016, \$349,000 in 2015 and \$398,000 in 2014.

As of November 30, 2016, the Company has accounts receivable from Galore Creek of \$28,000 (2015: \$28,000) included in other current assets and \$3,526,000 (2015: \$3,546,000) included in other long-term assets. The Company has accounts payable to an affiliate of Electrum at November 30, 2016 of \$119 (2015: \$nil) for reimbursement of director and officer travel expenses included in accounts payable and accrued liabilities.

Fourth quarter results

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

Accounting Developments

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

Critical Accounting Policies

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

Investment in affiliates

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

Donlin Gold LLC and the Galore Creek Partnership are non-publicly traded equity investees in exploration and development projects. The Company reviews and evaluates its investments in affiliates for other than temporary impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Events that could indicate impairment of investments in affiliates include a significant decrease in long-term expected gold or copper 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. 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 operate a stock option plan and a performance share unit (PSU) plan, under which the entity receives services from employees and eligible consultants as consideration for equity instruments (options or shares) of the Company. The fair value for the options and share units are recognized in earnings over the related service period. The total amount to be expensed related to options is

determined by reference to the fair value of the options granted including any market performance conditions and the impact of any non-vesting conditions; and excluding the impact of any service and non-market performance vesting conditions.

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

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

Quantitative and Qualitative Disclosures about Market Risk

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

Currency risk

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

We have not hedged our exposure to currency fluctuations. At November 30, 2016, we are exposed to currency risk through our investment in the Galore Creek project, mineral properties, deferred income taxes and cash balances held in Canadian dollars.

Based on the above net exposures as at November 30, 2016, and assuming that all other variables remain constant, a \$0.01 appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of approximately \$2.9 million in our consolidated comprehensive income (loss).

Credit risk

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

Interest rate risk

The interest rate on the promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as at November 30, 2016, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of \$0.8 million in the interest accrued on the promissory note per annum.

NYSE MKT Option Disclosure

As of December 1, 2015, there were 9,492,197 stock options available for grant pursuant to our 2004 Stock Award Plan, as amended, and as of November 30, 2016, there were 12,172,140 stock options available for grant. No outstanding stock option grants were repriced for any reason during fiscal year 2016.

Directors, Executive Officers and Corporate Governance

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

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

⁽¹⁾ Director of NOVAGOLD RESOURCES INC.

⁽²⁾ Executive officer of NOVAGOLD RESOURCES INC.

Financial Statements and Supplementary Financial Information

Financial Statements

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

Supplementary Financial Information

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report includes certain “forward-looking information” and “forward-looking statements” (collectively “forward-looking statements”) within the meaning of applicable securities legislation, including the United States Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included herein including, without limitation, the timing of permitting and potential development of the Donlin Gold project, statements relating to NOVAGOLD’s future operating and financial performance, and the potential sale of all or part of NOVAGOLD’s interest in Galore Creek Partnership and the statement included under the section titled “Outlook” are forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, and similar expressions, or statements that events, conditions, or results “will”, “may”, “could”, or “should” occur or be achieved. Forward-looking statements involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from NOVAGOLD’s expectations include the uncertainties involving the need for and availability of additional financing to explore and develop; uncertainties involved in the estimation of reserves and resources; the need for continued cooperation with Barrick and Teck; the need for cooperation of government agencies and native groups in the development and operation of our properties; the need to obtain permits and governmental approvals; risks of construction and mining projects such as accidents, equipment breakdowns, bad weather, non-compliance with environmental and permit requirements, unanticipated variation in geological structures, ore grades or recovery rates; unexpected cost increases, which could include significant increases in estimated capital and operating costs; fluctuations in metal prices and currency exchange rates; and other risk and uncertainties disclosed in NOVAGOLD’s Annual Report filed on Form 10-K for the year-ended November 30, 2016, filed with the SEC on January 25, 2017. NOVAGOLD’s forward-looking statements reflect the beliefs, opinions and projections on the date the statements are made. NOVAGOLD assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law.

Additional Information

Additional information relating to the Company is available on the Company's website at www.novagold.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. The Company will furnish to shareholders, free of charge, a hard copy of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2016, including the financial statements and financial statement schedules, upon request to Investor Relations at NOVAGOLD RESOURCES INC., 789 West Pender Street, Suite 720, Vancouver, British Columbia, V6C 1H2, Canada, Telephone 604-669-6227, Toll-Free 866-669-6227, Fax 604-669-6272.

Report of Independent Registered Public Accounting Firm

To the Shareholders of NOVAGOLD RESOURCES INC.

We have audited the accompanying consolidated balance sheets of NOVAGOLD RESOURCES INC. (NOVAGOLD or the Company) as of November 30, 2016 and November 30, 2015 and the related consolidated statements of loss and comprehensive loss, cash flows and equity for each of the years in the three-year period ended November 30, 2016. We also have audited NOVAGOLD's internal control over financial reporting as of November 30, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our integrated audits.

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NOVAGOLD as of November 30, 2016 and 2015 and the results of its operations and its cash flows for each of the years in the three-year period ended November 30, 2016 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, NOVAGOLD maintained, in all material respects, effective internal control over financial reporting as of November 30, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
Canada

January 25, 2017

NOVAGOLD RESOURCES INC.

CONSOLIDATED BALANCE SHEETS

(U.S. dollars in thousands)

	At November 30,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$30,274	\$41,731
Term deposits	75,000	85,000
Other assets (note 7)	2,064	3,310
Current assets	107,338	130,041
Investment in Donlin Gold (note 4)	951	1,058
Investment in Galore Creek (note 5)	241,404	242,906
Mineral property (note 6)	43,359	43,605
Deferred income taxes (note 12)	9,397	9,711
Other assets (note 7)	5,812	6,263
Total assets	\$408,261	\$433,584
LIABILITIES		
Accounts payable and accrued liabilities	\$2,837	\$3,066
Other liabilities	214	451
Current liabilities	3,051	3,517
Promissory note (note 8)	84,812	80,261
Deferred income taxes (note 12)	20,135	20,510
Total liabilities	107,998	104,288
Commitments and contingencies (note 17)		
EQUITY		
Common shares		
Authorized – 1,000 million shares, no par value		
Issued and outstanding – 320.0 and 317.9 million shares, respectively		
	1,942,451	1,938,262
Contributed surplus	82,573	80,774
Accumulated deficit	(1,705,901)	(1,672,055)
Accumulated other comprehensive income (loss)	(18,860)	(17,685)
Total equity	300,263	329,296
Total liabilities and equity	\$408,261	\$433,584

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

Approved by the Board of Directors

/s/ Gregory A. Lang

/s/ Anthony P. Walsh

NOVAGOLD RESOURCES INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(U.S. dollars in thousands except per share amounts)

	Years ended November 30,		
	2016	2015	2014
Operating expenses:			
Equity loss - Donlin Gold (note 4)	\$8,819	\$11,016	\$13,985
Equity loss - Galore Creek (note 5)	1,149	392	1,941
General and administrative (note 10)	20,179	19,922	22,082
Studies and evaluation	—	366	—
	<u>30,147</u>	<u>31,696</u>	<u>38,008</u>
Loss from operations	(30,147)	(31,696)	(38,008)
Other income (expense) (note 11)	(3,422)	(103)	(2,213)
Loss before income taxes	(33,569)	(31,799)	(40,221)
Income tax expense (note 12)	(277)	(153)	(263)
Net loss	<u>(33,846)</u>	<u>(31,952)</u>	<u>(40,484)</u>
Other comprehensive income (loss):			
Unrealized holding gains (losses) on marketable securities during period	477	(227)	(288)
Reclassification adjustment for losses included in net loss (note 15)	—	426	—
Net unrealized gain (loss), net of \$(69), \$(2) and \$14 tax recovery (expense)	477	199	(288)
Foreign currency translation adjustments	(1,652)	(52,729)	(29,371)
	<u>(1,175)</u>	<u>(52,530)</u>	<u>(29,659)</u>
Comprehensive income (loss)	<u><u>\$(35,021)</u></u>	<u><u>\$(84,482)</u></u>	<u><u>\$(70,143)</u></u>
Net loss per common share			
Basic and diluted	\$(0.11)	\$(0.10)	\$(0.13)
Weighted average shares outstanding			
Basic and diluted	319,774	317,850	317,203

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

NOVAGOLD RESOURCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(U.S. dollars in thousands)

	Years ended November 30,		
	2016	2015	2014
Operating activities:			
Net loss	\$(33,846)	\$(31,952)	\$(40,484)
Adjustments:			
Equity losses of affiliates	9,968	11,408	15,926
Share-based compensation	10,263	9,488	10,197
Interest on promissory note	4,551	4,108	4,425
Foreign exchange gain	(182)	(4,771)	(3,688)
Write-down of investments	—	426	—
Other	28	235	1,279
Withholding tax on share-based compensation	(4,275)	(827)	(636)
Changes in operating assets and liabilities:			
Other assets	2,259	908	3,319
Accounts payable and accrued liabilities	(225)	(275)	56
Other liabilities	(237)	(174)	(202)
Net cash used in operating activities	<u>(11,696)</u>	<u>(11,426)</u>	<u>(9,808)</u>
Investing activities:			
Proceeds from term deposits	100,000	135,000	215,000
Purchases of term deposits	(90,000)	(125,000)	(200,000)
Funding of affiliates	(9,732)	(10,964)	(15,946)
Other	—	—	(21)
Net cash used in investing activities	<u>268</u>	<u>(964)</u>	<u>(967)</u>
Financing activities:			
Repayment of debt	—	(15,829)	—
Net cash used in financing activities	<u>—</u>	<u>(15,829)</u>	<u>—</u>
Effect of exchange rate changes on cash	<u>(29)</u>	<u>(375)</u>	<u>(162)</u>
Net change in cash and cash equivalents	(11,457)	(28,594)	(10,937)
Cash and cash equivalents at beginning of period	41,731	70,325	81,262
Cash and cash equivalents at end of period	<u>\$30,274</u>	<u>\$41,731</u>	<u>\$70,325</u>

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

NOVAGOLD RESOURCES INC.

CONSOLIDATED STATEMENTS OF EQUITY

(U.S. dollars and shares in thousands)

	Common shares		Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
	Shares	Amount				
November 30, 2013	316,661	\$1,933,953	\$66,811	\$(1,599,619)	\$64,504	\$465,649
Net loss	—	—	—	(40,484)	—	(40,484)
Other comprehensive loss	—	—	—	—	(29,659)	(29,659)
Share-based compensation and related share issuances	627	2,383	7,227	—	—	9,610
November 30, 2014	317,288	\$1,936,336	\$74,038	\$(1,640,103)	\$34,845	\$405,116
Net loss	—	—	—	(31,952)	—	(31,952)
Other comprehensive loss	—	—	—	—	(52,530)	(52,530)
Share-based compensation and related share issuances	622	1,926	6,736	—	—	8,662
November 30, 2015	317,910	\$1,938,262	\$80,774	\$(1,672,055)	\$(17,685)	\$329,296
Net loss	—	—	—	(33,846)	—	(33,846)
Other comprehensive loss	—	—	—	—	(1,175)	(1,175)
Share-based compensation and related share issuances	2,106	4,189	1,799	—	—	5,988
November 30, 2016	320,016	\$1,942,451	\$82,573	\$(1,705,901)	\$(18,860)	\$300,263

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

NOVAGOLD RESOURCES INC.

NOTE 1 – THE COMPANY

NOVAGOLD RESOURCES INC. and its affiliates and subsidiaries (collectively, “NOVAGOLD” or the “Company”) operate in the mining industry, focused on the exploration for and development of gold and copper mineral properties. The Company has no realized revenues from its planned principal business purpose. The Company’s principal assets include a 50% interest in the Donlin Gold project in Alaska, U.S.A. and a 50% interest in the Galore Creek project in British Columbia, Canada. The Donlin Gold project is owned and operated by Donlin Gold LLC, a limited liability company that is owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick Gold Corporation (“Barrick”). The Galore Creek project is owned by the Galore Creek Partnership, a partnership in which a wholly-owned subsidiary of NOVAGOLD and Teck Resources Limited (“Teck”) each own a 50% interest.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation

These Consolidated Financial Statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP).

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

Use of estimates

The preparation of the Company’s Consolidated Financial Statements in accordance with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions include: investments in affiliates; mineral properties; income taxes; and share-based compensation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from the amounts estimated in these Consolidated Financial Statements.

Principles of consolidation

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

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

Cash and cash equivalents

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

Term deposits

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

Investment in affiliates

Investments in unconsolidated ventures over which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method and include the Company’s investments in the Donlin Gold and Galore Creek projects. The

Company identified Donlin Gold LLC and Galore Creek Partnership as Variable Interest Entities (VIEs) as these entities are dependent on funding from their owners. All funding, ownership, voting rights and power to exercise control is shared equally on a 50/50 basis between the owners of each VIE. Therefore, the Company has determined that it is not the primary beneficiary of either VIE. The Company's maximum exposure to loss is its equity investments in Donlin Gold LLC and Galore Creek Partnership, and amounts receivable from Galore Creek Partnership.

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

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

Mineral properties

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

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

Income taxes

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

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

Share-based payments

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

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

Net income (loss) per common share

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

Recently adopted accounting pronouncements

Consolidation – Amendments to the Consolidation Analysis

In February 2015, Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) guidance was issued to amend current consolidation guidance. The amendments affect both the variable interest entity and voting interest entity consolidation models and primarily relate to: limited partnerships and similar legal entities; evaluating fees paid to a decision maker or a service provider as a variable interest; the effect of fee arrangements on the primary beneficiary determination; the effect of related parties on the primary beneficiary determination; and certain investment funds. The Company determined that these changes did not have an impact on its previous consolidation analysis and elected early adoption of the new standard effective for the Company's fiscal year beginning December 1, 2015. Application of the new guidance had no impact on the consolidated financial position, results of operations or cash flows.

Recently issued accounting pronouncements

Classification of Certain Cash Receipts and Cash Payments

In August 2016, ASC guidance was issued to amend the classification of certain cash receipts and cash payments in the statement of cash flows. The new guidance is effective for the Company's fiscal year and interim periods beginning December 1, 2018. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company is currently evaluating this guidance and the impact on its consolidated financial statements.

Compensation—Stock Compensation

In March 2016, ASC guidance was issued to amend employee share-based payment accounting. The new guidance amends several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance is effective for the Company's fiscal year and interim periods beginning December 1, 2017. Early adoption is permitted in any interim or annual period. If adopted in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. All of the amendments must be adopted in the same period. The Company is currently evaluating this guidance and the impact on its consolidated financial statements.

Leases

In February 2016, ASC guidance was issued to amend lease accounting guidance. The new guidance amends the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases and amends disclosure requirements associated with leasing arrangements. The new guidance is effective for the Company's fiscal year beginning December 1, 2019. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Company is currently evaluating this guidance and the impact on its consolidated financial statements.

Classification and Measurement of Financial Instruments

In January 2016, ASC guidance was issued to amend the guidance on the classification and measurement of financial instruments. The new guidance significantly revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. The new guidance also amends certain disclosure requirements associated with the fair value of financial instruments. The new guidance is effective for the

Company's fiscal year beginning December 1, 2018. Early adoption for most of the provisions is not allowed. 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, U.S.A. and the Galore Creek project in British Columbia, Canada. Segment information is provided on each of the material projects individually in notes 4 and 5.

NOTE 4 – INVESTMENT IN DONLIN GOLD

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

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

	Years ended November 30,		
	2016	2015	2014
Balance – beginning of period	\$1,058	\$1,618	\$1,720
Share of losses			
Mineral property expenditures	(8,689)	(10,845)	(13,811)
Depreciation	(130)	(171)	(174)
	(8,819)	(11,016)	(13,985)
Funding	8,712	10,456	13,883
Balance – end of period	\$951	\$1,058	\$1,618

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

	At November 30,	
	2016	2015
Current assets: Cash, prepaid expenses and other receivables	\$1,540	\$1,762
Non-current assets: Property and equipment	101	232
Non-current assets: Mineral property	32,692	32,692
Current liabilities: Accounts payable and accrued liabilities	(690)	(936)
Non-current liabilities: Reclamation obligation	(692)	(692)
Net assets	\$32,951	\$33,058

NOTE 5 – INVESTMENT IN GALORE CREEK

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

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

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

	Years ended November 30,		
	2016	2015	2014
Balance – beginning of period	\$242,906	\$283,247	\$305,735
Share of losses			
Mineral property expenditures	(169)	(147)	(442)
Care and maintenance expense	(980)	(884)	(1,499)
Gain on sale of equipment	—	639	—
	(1,149)	(392)	(1,941)
Funding	1,020	508	2,063
Exploration tax credit	—	107	(693)
Foreign currency translation	(1,373)	(40,564)	(21,917)
Balance – end of period	\$241,404	\$242,906	\$283,247

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

	At November 30,	
	2016	2015
Current assets: Cash, prepaid expenses and other receivables	\$170	\$497
Non-current assets: Mineral property	217,295	218,532
Current liabilities: Accounts payable and accrued liabilities	(112)	(365)
Non-current liabilities: Reclamation obligation	(7,260)	(7,162)
Net assets	\$210,093	\$211,502

NOTE 6 – MINERAL PROPERTY

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

NOTE 7 – OTHER ASSETS

	At November 30,	
	2016	2015
Other current assets:		
Accounts and interest receivable	\$547	\$295
Receivable from Galore Creek Partnership	28	28
Mineral exploration tax credit receivable	—	1,487
Note receivable	935	919
Prepaid expenses	554	581
	\$2,064	\$3,310
Other long-term assets:		
Note receivable	\$—	\$939
Marketable equity securities	1,117	571
Receivable from Galore Creek Partnership	3,526	3,546
Restricted cash – reclamation deposit	1,111	1,117
Office equipment	58	90
	\$5,812	\$6,263

NOTE 8 – PROMISSORY NOTE

The Company has a promissory note payable to Barrick of \$51,576, plus interest at a rate of U.S. prime plus 2%, amounting to \$33,236 in accrued interest. The promissory note resulted from the agreement that led to the formation of Donlin Gold LLC, where the Company agreed to reimburse Barrick for a portion of their expenditures incurred from April 1, 2006 to November 30, 2007. The

promissory note and accrued interest are payable from 85% of the Company's share of revenue from future mine production or from any net proceeds resulting from a reduction of the Company's interest in Donlin Gold LLC. The carrying value of the promissory note approximates fair value.

NOTE 9 – FAIR VALUE ACCOUNTING

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

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

The Company's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities was \$1,117 at November 30, 2016 (\$571 at November 30, 2015), calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

NOTE 10 – GENERAL AND ADMINISTRATIVE EXPENSES

	Years ended November 30,		
	2016	2015	2014
Share-based compensation (note 13)	\$10,263	\$9,488	\$10,197
Salaries	6,167	6,164	6,022
Office expense	2,035	2,090	2,626
Corporate communications and regulatory	1,001	1,452	1,395
Professional fees	680	693	1,806
Depreciation	33	35	36
	<u>\$20,179</u>	<u>\$19,922</u>	<u>\$22,082</u>

NOTE 11 – OTHER INCOME (EXPENSE)

	Years ended November 30,		
	2016	2015	2014
Interest income	\$947	\$740	\$854
Interest expense	(4,551)	(5,188)	(6,838)
Foreign exchange gain	182	4,771	3,688
Write-down of investments	—	(426)	—
Other	—	—	83
	<u>\$(3,422)</u>	<u>\$(103)</u>	<u>\$(2,213)</u>

During 2015, the Company recognized impairments for other-than-temporary declines in value of \$426 for marketable equity securities. At November 30, 2016, all unrealized losses were in a continuous loss position for less than 12 months.

NOTE 12 – INCOME TAXES

The Company's Income tax expense consisted of:

	Years ended November 30,		
	2016	2015	2014
Current:			
Canada	\$—	\$—	\$—
Foreign	346	155	189
	<u>346</u>	<u>155</u>	<u>189</u>
Deferred:			
Canada	(69)	(2)	74
Foreign	—	—	—
	<u>(69)</u>	<u>(2)</u>	<u>74</u>
Income tax expense	<u>\$277</u>	<u>\$153</u>	<u>\$263</u>

The Company's Loss before income tax consisted of:

	Years ended November 30,		
	2016	2015	2014
Canada	\$(18,912)	\$(14,775)	\$(20,372)
Foreign	(14,657)	(17,024)	(19,849)
	<u>\$(33,569)</u>	<u>\$(31,799)</u>	<u>\$(40,221)</u>

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,		
	2016	2015	2014
Loss before income taxes	(33,569)	(31,799)	\$(40,221)
Combined federal and provincial statutory tax rate	26%	26%	26%
Income tax recovery based on statutory income tax rates	(8,728)	(8,268)	(10,457)
Reconciling items:			
Non-deductible expenditures	2,607	1,906	2,333
Foreign accrual property income	862	1,269	1,006
Effect of different statutory tax rates on earnings or losses of subsidiaries	(2,218)	(2,619)	(3,027)
Effect of tax losses expired	6	3,878	1,424
Change in valuation allowance on deferred tax assets	7,668	3,264	9,357
Other	80	723	(373)
Income tax expense	<u>\$277</u>	<u>\$153</u>	<u>\$263</u>

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

	At November 30,	
	2016	2015
Deferred tax income assets:		
Asset retirement obligation	\$89	\$186
Net operating loss carry forwards	222,036	212,619
Capital loss carry forwards	31,352	31,561
Mineral properties	16,503	16,596
Property and equipment	203	198
Investment in affiliates	42,743	42,099
Share issuance costs	137	776
Unpaid interest expense	3,044	4,458
Investment tax credit	2,921	2,938
Other	1,912	2,339
	<u>320,940</u>	<u>313,770</u>
Valuation allowances	<u>(282,698)</u>	<u>(275,305)</u>
	38,242	38,465
Deferred income tax liabilities:		
Investment in affiliates	(36,110)	(36,133)
Mineral properties	(11,251)	(11,315)
Investment tax credit	(760)	(764)
Capitalized assets and other	(859)	(1,052)
	<u>(48,980)</u>	<u>(49,264)</u>
Net deferred income tax liabilities	<u>\$(10,738)</u>	<u>\$(10,799)</u>

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,	
	2016	2015
Long-term deferred income tax:		
Assets	\$9,397	\$9,711
Liabilities	<u>(20,135)</u>	<u>(20,510)</u>
	<u>\$(10,738)</u>	<u>\$(10,799)</u>

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

Year of Expiry	U.S.	Canada
2024	\$1,032	\$—
2025	1,246	—
2026	13,382	24,359
2027	18,493	3,913
2028	85	517
2029	11,223	12,168
2030	10,916	17,507
2031	16,580	16,425
2032	309,772	28,776
2033	14,529	21,520
2034	15,607	9,964
2035	16,383	6,595
2036	14,587	10,037
	<u>\$443,835</u>	<u>\$151,781</u>

Future use of U.S. loss carry-forwards is subject to certain limitations under provisions of the Internal Revenue Code including limitations subject to Section 382, which relates to a 50% change in control over a three-year period, and are further dependent upon

the Company attaining profitable operations. Ownership changes occurred on January 22, 2009 and on December 31, 2012 and the U.S. tax losses related to NOVAGOLD Resources Alaska Inc. and its investment in Donlin Gold LLC for the prior three year periods prior to the change in control may be subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited or they may expire un-utilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

The Company has recognized \$9,397 (2015: \$9,711, 2014: \$11,445) of deferred tax assets that are dependent on the reversal of existing taxable temporary differences. The Company has suffered a loss in the current and prior period in the tax jurisdictions to which the deferred tax assets relate. The Company has undertaken a tax planning strategy in the current and prior period to merge Canadian entities when required to access the deferred tax assets to offset future increases in taxable income of the Canadian entities.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax asset. Significant pieces of objective negative evidence evaluated included the cumulative loss incurred as of November 30, 2016. Such objective evidence limits the ability to consider other subjective evidence such as managements' projections for future growth. On the basis of this evaluation, as of November 30, 2016, a valuation allowance of \$282,698 (2015: \$275,305, 2014: \$281,071) inclusive of valuation allowance for investment tax credits has been recorded in order to measure only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carry forward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as management's projections for growth.

Uncertain tax position

There were no unrecognized tax benefits at November 30, 2016, 2015 and 2014. The Company recognizes any interest and penalties related to uncertain tax positions, if any, as income tax expense. At November 30, 2016, 2015 and 2014, there were no interest and penalties related to uncertain tax positions. The Company is subject to income taxes in Canada and the United States. The Company is currently under audit by the Canada Revenue Agency regarding transactions undertaken by one of the Company's Canadian subsidiaries. With few exceptions, the tax years that remain subject to examination as of November 30, 2016 are 2012 to 2016 in Canada and 2013 to 2016 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, 2016, 21.9 million common shares were available for future share incentive plan awards.

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

	Years ended November 30,		
	2016	2015	2014
Stock options	\$5,855	\$4,736	\$6,062
Performance share unit plan	4,184	4,537	3,944
Deferred share unit plan	224	215	191
	<u>\$10,263</u>	<u>\$9,488</u>	<u>\$10,197</u>

Stock options

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

A summary of stock options outstanding as of November 30, 2016, and activity during the year ended November 30, 2016 are as follows:

	Number of stock options (thousands)	Weighted- average exercise price per share (C\$)	Weighted- average remaining contractual term (years)	Aggregate intrinsic value (C\$)
November 30, 2015	17,850	4.81		
Granted	4,593	5.02		
Exercised	(1,445)	3.48		
Expired/Forfeited	(1,169)	12.61		
November 30, 2016	<u>19,829</u>	4.50	<u>2.27</u>	<u>32,916</u>
Vested and exercisable as of November 30, 2016	<u>16,367</u>	4.52	<u>1.97</u>	<u>26,842</u>

The following table summarizes other stock option-related information:

	Years ended November 30,		
	2016	2015	2014
Weighted-average assumptions used to value stock option awards:			
Expected volatility	54%	60%	60%
Expected term of options (years)	3	3	3
Expected dividend rate	—	—	—
Risk-free interest rate	0.5%	1.1%	1.2%
Expected forfeiture rate	3%	4%	4%
Weighted-average grant-date fair value (C\$ per share)	1.83	1.28	1.18
Intrinsic value of options exercised (C\$)	5,279	565	884
Cash received from options exercised (C\$)	—	—	—

As of November 30, 2016, the Company had C\$1,068 of unrecognized compensation cost related to 1,165,000 non-vested stock options expected to be recognized and vest over a period of approximately one year.

Performance share units

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

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

A summary of PSU awards outstanding as of November 30, 2016, and activity during the year ended November 30, 2016 are as follows:

	Number of PSU awards (thousands)	Weighted- average grant day fair value per award (C\$)	Aggregate intrinsic value (C\$)
November 30, 2015	3,182	3.47	
Granted	1,242	4.65	
Vested	(2,526)	3.18	
Performance adjustment	721	3.18	
Forfeited	—	—	
November 30, 2016	<u>2,619</u>	4.23	<u>16,134</u>

As of November 30, 2016, the Company had C\$2,887 of unrecognized compensation cost related to 1,241,900 non-vested PSU awards expected to be recognized and vest over a period of approximately one year.

The following table summarizes other PSU-related information:

	Years ended November 30,		
	2016	2015	2014
Performance multiplier on PSUs vested	140%	137%	85%
Common shares issued (thousands)	1,377	506	330
Total fair value of common shares issued (C\$)	6,914	1,610	956

Deferred share units

The Company has a DSU plan that provides for the issuance of DSUs in amounts where the Directors receive half of their annual retainer in DSUs and have the option to elect to receive all or a portion of the other half of their annual retainer in DSUs. Each DSU entitles the Directors to receive one common share when they retire from the Company. During the year ended November 30, 2016, the Company granted 44,770 DSUs to Directors with a weighted-average grant day fair value of C\$6.62 per DSU. The Company did not issue common shares under the DSU plan in 2016, 2015 or 2014. At November 30, 2016, there were 286,847 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 320,016,000 were issued and outstanding as of November 30, 2016 and 317,910,000 were issued and outstanding as of November 30, 2015.

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, 2016 and 2015, 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, 2015	\$95	\$(17,780)	\$(17,685)
Change in other comprehensive income (loss) before reclassifications	477	(1,652)	(1,175)
Reclassifications from accumulated other comprehensive income (loss)	—	—	—
Net current-period other comprehensive income (loss)	477	(1,652)	(1,175)
November 30, 2016	\$572	\$(19,432)	\$(18,860)

Details about accumulated other comprehensive income (loss) components:	Amount reclassified from accumulated other comprehensive income (loss)		
	2016	2015	2014
Marketable equity securities adjustments			
Impairment of marketable equity securities ⁽¹⁾	\$—	\$426	\$—
Tax benefit (expense)	—	—	—
Net of tax	\$—	\$426	\$—

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

NOTE 16 – RELATED PARTY TRANSACTIONS

The Company provided management services to Donlin Gold LLC for \$nil in 2016 and 2015, and \$235 in 2014; office rental and services to GCP for \$335 in 2016, \$349 in 2015 and \$398 in 2014.

As of November 30, 2016, the Company has accounts receivable from GCP of \$28 (2015: \$28) included in other current assets and a receivable of \$3,526 (2015: \$3,546) included in other long-term assets. The Company has accounts payable to an affiliate of Electrum Strategic Partners LLC, the Company’s largest shareholder, at November 30, 2016 of \$119 (2015: \$nil) for reimbursement of director and officer travel expenses included in accounts payable and accrued liabilities.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

General

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

Commitments

The Company leases certain assets, such as office equipment and office facilities, under operating leases expiring at various dates through 2018. Future minimum annual lease payments are \$325 in 2017, \$18 in 2018 and nil in 2019, totaling \$343.

NOTE 18 – SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended November 30,		
	2016	2015	2014
Interest received	\$878	\$639	\$643
Interest paid	\$—	\$435	\$870
Income taxes paid	\$327	\$120	\$432

NOTE 19 – UNAUDITED SUPPLEMENTARY DATA**Quarterly data**

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

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

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

Significant after-tax items were as follows:

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

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