

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended February 28, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File Number: 001-31913

NOVAGOLD

NOVAGOLD RESOURCES INC.

(Exact Name of Registrant as Specified in Its Charter)

British Columbia

(State or Other Jurisdiction of
Incorporation or Organization)

N/A

(I.R.S. Employer
Identification No.)

201 South Main Street, Suite 400

Salt Lake City, Utah, USA

(Address of Principal Executive Offices)

84111

(Zip Code)

(801) 639-0511

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

Smaller reporting company

Accelerated filer

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of March 26, 2019, the Company had 325,242,605 Common Shares, no par value, outstanding.

NOVAGOLD RESOURCES INC.

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This Quarterly Report on Form 10-Q contains forward-looking statements or information within the meaning of Canadian securities laws and the United States Private Securities Litigation Reform Act of 1995 concerning anticipated results and developments in our operations in future periods, planned exploration activities, the adequacy of our financial resources and other events or conditions that may occur in the future. These forward-looking statements may include statements regarding perceived merit of properties, exploration results and budgets, mineral reserves and resource estimates, work programs, capital expenditures, operating costs, cash flow estimates, production estimates and similar statements relating to the economic viability of a project, timelines, strategic plans, including our plans and expectations relating to the Donlin Gold project, market prices for precious metals, or other statements that are not statements of fact. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Statements concerning mineral resource estimates may also be deemed to constitute “forward-looking statements” to the extent that they involve estimates of the mineralization that will be encountered if the property is developed.

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

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

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

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

- uncertainty of whether there will ever be production at our mineral exploration and development properties;
- our history of losses and expectation of future losses;
- risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;
- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- commodity price fluctuations;
- risks related to market events and general economic conditions;
- risks related to the third parties on which we depend for our exploration and development activities;
- dependence on cooperation of joint venture partners in exploration and development of properties;
- the risk that permits and governmental approvals necessary to develop and operate mines on our properties will not be available on a timely basis, subject to reasonable conditions, or at all;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of our mineral deposits;
- uncertainties relating to the assumptions underlying our resource and reserve estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;
- risks related to lack of infrastructure required to develop, construct, and operate our mineral properties;
- uncertainty related to title to our mineral properties;
- mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with, or interruptions in, development, construction or production;
- competition in the mining industry;
- risks related to governmental regulation and permits, including environmental regulation;
- risks related to our largest shareholder;
- risks related to conflicts of interests of some of the directors and officers of the Company;

- risks related to opposition to our operations at our mineral exploration and development properties from non-governmental organizations or civil society;
- risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;
- credit, liquidity, interest rate and currency risks;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- our need to attract and retain qualified management and technical personnel;
- uncertainty as to the outcome of potential litigation; and
- risks related to global climate change.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in our Annual Report on Form 10-K and this Quarterly Report on Form 10-Q under the heading “Risk Factors” and elsewhere.

Our forward-looking statements contained in this Quarterly Report on Form 10-Q are based on the beliefs, expectations and opinions of management as of the date of this report. We do not assume any obligation to update forward-looking statements if circumstances or management’s beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

**NOVAGOLD RESOURCES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**
(Unaudited, US dollars in thousands)

	At February 28, 2019	At November 30, 2018
ASSETS		
Cash and cash equivalents	\$22,777	\$21,004
Term deposits	139,000	146,000
Other assets	1,718	2,379
Current assets	163,495	169,383
Notes receivable (Note 5)	90,254	89,459
Investment in Donlin Gold (Note 6)	783	1,209
Other assets	929	878
Total assets	<u>\$255,461</u>	<u>\$260,929</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$709	\$710
Accrued payroll and related benefits	616	2,545
Income taxes payable	190	223
Other liabilities	182	182
Current liabilities	1,697	3,660
Promissory note (Note 7)	98,299	96,501
Deferred income taxes	247	80
Total liabilities	<u>100,243</u>	<u>100,241</u>
Commitments and contingencies (Note 13)		
EQUITY		
Common shares	1,960,465	1,954,861
Contributed surplus	82,717	87,987
Accumulated deficit	(1,863,627)	(1,857,682)
Accumulated other comprehensive loss	(24,337)	(24,478)
Total equity	<u>155,218</u>	<u>160,688</u>
Total liabilities and equity	<u>\$255,461</u>	<u>\$260,929</u>

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

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on April 2, 2019. They are signed on the Company's behalf by:

/s/ Gregory A. Lang, Director

/s/ Anthony P. Walsh, Director

NOVAGOLD RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS
AND COMPREHENSIVE LOSS

(Unaudited, US dollars in thousands except per share amounts)

	Three months ended February 28,	
	2019	2018
		Revised ¹
Operating expenses:		
General and administrative (Note 9)	\$4,340	\$4,685
Equity loss – Donlin Gold (Note 6)	1,323	1,841
	5,663	6,526
Loss from operations	(5,663)	(6,526)
Other income (expense) (Note 11)	(303)	(1,370)
Loss before income taxes and other items	(5,966)	(7,896)
Income tax expense	(357)	(66)
Net loss from continuing operations	(6,323)	(7,962)
Net loss from discontinued operations, net of tax (Note 4)	—	(253)
Net loss	(6,323)	\$(8,215)
Other comprehensive income (loss):		
Unrealized loss on marketable securities, net of \$nil and \$11 tax recovery, respectively	—	(94)
Foreign currency translation adjustments	519	1,868
	519	1,774
Comprehensive loss	\$(5,804)	\$(6,441)
Net loss per common share – basic and diluted		
Continuing operations	\$(0.02)	\$(0.03)
Discontinued operations	—	—
	\$(0.02)	\$(0.03)
Weighted average shares outstanding		
Basic and diluted (thousands)	324,749	322,291

¹ See Note 4 – Discontinued operations

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

NOVAGOLD RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited, US dollars in thousands)

	Three months ended February 28,	
	2019	2018
		Revised ¹
Operating activities:		
Net loss	\$(6,323)	\$(8,215)
Adjustments:		
Equity loss – Donlin Gold	1,323	1,841
Share-based compensation	1,531	1,949
Interest expense on promissory note	1,798	1,494
Foreign exchange loss	386	116
Deferred income tax expense	167	11
Accretion of notes receivable	(795)	—
Loss from discontinued operations, net of tax	—	253
Other	(40)	(32)
Changes in operating assets and liabilities:		
Other assets	773	(11)
Accounts payable and accrued liabilities	(41)	(194)
Accrued payroll and related benefits	(1,929)	(1,854)
Net cash used in operating activities of continuing operations	(3,150)	(4,642)
Investing activities:		
Proceeds from term deposits	115,000	15,000
Purchases of term deposits	(108,000)	(15,000)
Funding of Donlin Gold	(897)	(1,734)
Other	—	(13)
Net cash provided from (used in) investing activities of continuing operations	6,103	(1,747)
Net cash used in investing activities of discontinued operations (Note 4)	—	(643)
Net cash provided from (used in) investing activities	6,103	(2,390)
Financing activities:		
Withholding tax on share-based compensation	(1,197)	—
Net cash used in investing activities	(1,197)	—
Effect of exchange rate changes on cash	17	9
Increase in cash and cash equivalents	1,773	(7,023)
Cash and cash equivalents at beginning of period	21,004	27,954
Cash and cash equivalents at end of period	\$22,777	\$20,931

¹ See Note 4 – Discontinued operations

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

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

	<u>Common shares</u>		<u>Contributed surplus</u>	<u>Accumulated deficit</u>	<u>AOCL*</u>	<u>Total equity</u>
	<u>Shares</u>	<u>Amount</u>				
November 30, 2017	322,219	\$1,951,587	\$83,534	\$(1,744,917)	\$(6,175)	\$284,029
Share-based compensation	—	—	1,949	—	—	1,949
Stock options exercised	83	977	(977)	—	—	—
Net loss	—	—	—	(8,215)	—	(8,215)
Other comprehensive income	—	—	—	—	1,774	1,774
February 28, 2018	<u>322,302</u>	<u>\$1,952,564</u>	<u>\$84,506</u>	<u>\$(1,753,132)</u>	<u>\$(4,401)</u>	<u>\$279,537</u>
November 30, 2018	323,223	\$1,954,861	\$87,987	\$(1,857,682)	\$(24,478)	\$160,688
Cumulative-effect adjustment of adopting ASU No. 2016-01	—	—	—	378	(378)	—
Share-based compensation	—	—	1,531	—	—	1,531
PSUs settled in shares	438	2,737	(2,737)	—	—	—
Stock options exercised	1,443	2,867	(2,867)	—	—	—
Withholding tax on PSUs	—	—	(1,197)	—	—	(1,197)
Net loss	—	—	—	(6,323)	—	(6,323)
Other comprehensive income	—	—	—	—	519	519
February 28, 2019	<u>325,104</u>	<u>\$1,960,465</u>	<u>\$82,717</u>	<u>\$(1,863,627)</u>	<u>\$(24,337)</u>	<u>\$155,218</u>

* Accumulated other comprehensive loss

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

NOVAGOLD RESOURCES INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited, US dollars in thousands except per share amounts)

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

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

The Condensed Consolidated Interim Financial Statements of NOVAGOLD are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. The results reported in these interim statements are not necessarily indicative of the results that may be reported for the entire year. These interim statements should be read in conjunction with NOVAGOLD’s Consolidated Financial Statements for the year ended November 30, 2018. The year-end balance sheet data was derived from the audited financial statements and certain information and footnote disclosures required by United States generally accepted accounting principles (US GAAP) have been condensed or omitted.

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. References in these Condensed 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently adopted accounting pronouncements

Restricted Cash

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

Statement of Cash Flows

In August 2016, ASU No. 2016-15 was issued related to the statement of cash flows. The Company adopted this new guidance effective December 1, 2018 and made an accounting policy election to classify distributions received from its equity method investee, Donlin Gold LLC, using a cumulative earnings approach. Distributions received will be considered returns on investment and classified as cash inflows from operating activities, unless the cumulative distributions received less distributions received in prior periods that were determined to be returns of investment exceed cumulative equity in earnings recognized. When such an excess occurs, the current-period distribution up to this excess will be considered a return of investment and classified as cash inflows from investing activities. Adoption of this standard did not have any impact on the Consolidated Financial Statements or disclosures.

Classification and Measurement of Financial Instruments

In January 2016, ASU No. 2016-01 was issued to amend the guidance on the classification and measurement of financial instruments, which was further amended in February 2018 by ASU No. 2018-03. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income. The new guidance also amends certain disclosure requirements for these investments. The Company adopted

NOVAGOLD RESOURCES INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited, US dollars in thousands except per share amounts)

this standard as of December 1, 2018 and reclassified \$378 of unrealized holding gains and deferred income taxes related to investments in marketable equity securities from *Accumulated other comprehensive loss* to *Accumulated deficit* in the Consolidated Balance Sheets.

Recently issued accounting pronouncements

Leases

In February 2016, ASU No. 2016-02 was issued related to leases, which was further amended in September 2017 by ASU No. 2017-13 and in January 2018 by ASU No. 2018-01. The new guidance modifies the classification criteria and requires lessees to recognize the assets and liabilities arising from most leases on the balance sheet. The new guidance is effective for the Company's fiscal year beginning December 1, 2019 and early adoption is permitted. The Company anticipates adopting the new guidance effective December 1, 2019. Adoption of this guidance is not expected to materially increase the Company's assets and liabilities.

Fair Value Disclosure Requirements

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

NOTE 3 – SEGMENTED INFORMATION

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

NOTE 4 – DISCONTINUED OPERATIONS

Galore Creek Transaction

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

The Company's share of its investment in GCP included the following:

	<u>Three months ended February 28,</u>	
	<u>2019</u>	<u>2018</u>
Net loss from discontinued operations, net of tax:		
Equity loss – Galore Creek	\$—	\$253
Net loss from discontinued operations, net of tax:		
Funding of Galore Creek	\$—	\$643

NOTE 5 – NOTES RECEIVABLE

The Company has notes receivable from Newmont including a \$75,000 note receivable upon the earlier of the completion of a new Galore Creek project pre-feasibility study or July 27, 2021, and a \$25,000 note receivable upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023. On closing of the Galore Creek sale, the Company estimated the fair value of the \$75,000 and \$25,000 notes receivable at \$88,398, assuming payments in three and five years, respectively, at a discount rate of 3.6% based on quoted market values for Newmont debt with a similar term. The carrying value of the notes receivable are being accreted to \$75,000 and \$25,000 over three and five years, respectively. At February 28, 2019, the carrying value of the notes receivable was \$90,254 including \$1,856 of accumulated accretion. A contingent note for \$75,000 is receivable upon approval of a Galore Creek project

NOVAGOLD RESOURCES INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited, US dollars in thousands except per share amounts)

construction plan by the owner(s). No value was assigned to the final \$75,000 contingent note receivable. The Company determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale. The Company's assessment did not change as of February 28, 2019.

NOTE 6 – INVESTMENT IN DONLIN GOLD

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

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

	Three months ended February 28,	
	2019	2018
Balance – beginning of period	\$1,209	\$1,100
Share of losses		
Mineral property expenditures	(1,310)	(1,835)
Depreciation	(13)	(6)
	(1,323)	(1,841)
Funding	897	1,734
Balance – end of period	\$783	\$993

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

	At	At
	February 28, 2019	November 30, 2018
Current assets: Cash, prepaid expenses and other receivables	\$1,076	\$1,872
Non-current assets: Property and equipment	79	10
Non-current assets: Mineral property	32,692	32,692
Current liabilities: Accounts payable and accrued liabilities	(372)	(673)
Non-current liabilities: Reclamation obligation	(692)	(692)
Net assets	\$32,783	\$33,209

NOTE 7 – PROMISSORY NOTE

The Company has a promissory note payable to Barrick of \$98,299, comprised of \$51,576 in principal, and \$46,723 in accrued interest at U.S. prime plus 2%. The promissory note resulted from the agreement that led to the formation of Donlin Gold LLC, where the Company agreed to reimburse Barrick for a portion of their expenditures incurred from April 1, 2006 to November 30, 2007. The promissory note and accrued interest are payable from 85% of the Company's share of revenue from future mine production or from any net proceeds resulting from a reduction of the Company's interest in Donlin Gold LLC. The carrying value of the promissory note approximates fair value.

NOTE 8 – 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;

NOVAGOLD RESOURCES INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited, US dollars in thousands except per share amounts)

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 \$893 at February 28, 2019 (\$839 at November 30, 2018), calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

NOTE 9 – GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended February 28,	
	2019	2018
Share-based compensation (Note 10)	\$1,531	\$1,949
Salaries and benefits	1,664	1,679
Office expense	671	566
Corporate communications and regulatory	240	286
Professional fees	230	199
Depreciation	4	6
	<u>\$4,340</u>	<u>\$4,685</u>

NOTE 10 – SHARE-BASED COMPENSATION

	Three months ended February 28,	
	2019	2018
Stock options	\$922	\$948
Performance share unit plan	570	952
Deferred share unit plan	39	49
	<u>\$1,531</u>	<u>\$1,949</u>

A summary of stock options outstanding as of February 28, 2019 and activity during the three months ended February 28, 2019 are as follows:

	Number of stock options (thousands)	Weighted- average exercise price per share	Weighted- average remaining contractual term (years)	Aggregate intrinsic value
November 30, 2018	17,883	\$3.36		
Granted	2,760	3.68		
Exercised	(3,253)	2.20		
Expired	—	—		
Forfeited	(54)	4.68		
February 28, 2019	<u>17,336</u>	<u>\$3.64</u>	<u>2.58</u>	<u>\$6,902</u>
Vested and exercisable as of February 28, 2019	<u>12,335</u>	<u>\$3.34</u>	<u>1.89</u>	<u>\$6,636</u>

NOVAGOLD RESOURCES INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited, US dollars in thousands except per share amounts)

The following table summarizes other stock option-related information:

	<u>Three months ended February 28,</u>	
	<u>2019</u>	<u>2018</u>
Weighted-average assumptions used to value stock option awards:		
Expected volatility	46.9%	50%
Expected term of options (years)	4	3
Expected dividend rate	—	—
Risk-free interest rate	2.7%	1.8%
Expected forfeiture rate	3.1%	2.3%
Weighted-average grant-date fair value	\$1.46	\$1.35

As of February 28, 2019, the Company had \$4,970 of unrecognized compensation cost related to 5,001,060 non-vested stock options expected to be recognized and vest over a period of approximately 2.75 years. During the three months ended February 28, 2019, the intrinsic value of stock options exercised was \$2,867 and no cash was received.

Performance share units

A summary of PSU awards outstanding as of February 28, 2019 and activity during the three months ended February 28, 2019 are as follows:

	<u>Number of PSU awards (thousands)</u>	<u>Weighted- average grant day fair value per award</u>	<u>Aggregate intrinsic value</u>
November 30, 2018	1,797	\$4.39	
Granted	803	3.67	
Vested	(764)	4.58	
Performance adjustment	(167)	4.58	
February 28, 2019	<u>1,669</u>	<u>\$3.76</u>	<u>\$6,415</u>

As of February 28, 2019, the Company had \$4,309 of unrecognized compensation cost related to 1,669,100 non-vested PSU awards expected to be recognized and vest over a period of approximately 2.75 years.

The following table summarizes other PSU-related information:

	<u>Three months ended February 28,</u>	
	<u>2019</u>	<u>2018</u>
Performance multiplier on PSUs vested	82%	—%
Common shares issued (thousands)	438	—
Total fair value of common shares issued	\$1,607	\$—
Withholding tax paid on PSUs vested	\$1,197	\$—

NOVAGOLD RESOURCES INC.
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited, US dollars in thousands except per share amounts)

NOTE 11 – OTHER INCOME (EXPENSE)

	Three months ended February 28,	
	2019	2018
Interest income	\$1,042	\$240
Accretion of notes receivable	795	—
Interest expense on promissory note	(1,798)	(1,494)
Foreign exchange gain (loss)	(386)	(116)
Change in fair market value of marketable securities	44	—
	<u>\$ (303)</u>	<u>\$ (1,370)</u>

NOTE 12 – RELATED PARTY TRANSACTIONS

The Company provided technical services to Donlin Gold LLC for \$nil during the three months ended February 28, 2019 (\$181 in 2018). As of February 28, 2019, the Company has accounts receivable from Donlin Gold LLC of \$247 (November 30, 2018: \$247).

NOTE 13 – COMMITMENTS AND CONTINGENCIES

General

Estimated losses from loss contingencies are accrued by a charge to income when information available prior to issuance of the financial statements indicates that it is probable that a liability could be incurred, and the amount of the loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency and estimated range of loss, if determinable, is made in the financial statements when it is at least reasonably possible that a material loss could be incurred.

Obligations under operating leases

The Company leases certain assets, such as office equipment and office facilities, under operating leases expiring at various dates through 2023. Future minimum annual lease payments are \$169 in 2019, \$199 in 2020, \$204 in 2021, \$210 in 2022, and \$18 in 2023, totaling \$800.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In Management's Discussion and Analysis of Financial Condition and Results of Operations, "NOVAGOLD", the "Company", "we," "us" and "our" refer to NOVAGOLD RESOURCES INC. and its consolidated subsidiaries. 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 three-month periods ended February 28, 2019 and February 28, 2018. This discussion should be read in conjunction with the condensed consolidated interim financial statements and notes thereto contained elsewhere in this report and our Annual Report on Form 10-K for the year ended November 30, 2018, as well as other information we file with the Securities and Exchange Commission on EDGAR at www.sec.gov and with Canadian Securities Administrators on SEDAR at www.sedar.com. References herein to \$ refer to United States dollars and C\$ to Canadian dollars.

Overview

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

Our goals for 2019 include:

- Advance the Donlin Gold project toward a construction/production decision.
- Maintain an effective corporate social responsibility program.
- Promote a strong safety culture; maintain a zero lost time accident record.
- Safeguard the Company's treasury.

First quarter highlights

Donlin Gold project

The final approval of the Donlin Gold Reclamation and Closure Plan and final Waste Management Permit were issued on January 18, 2019. The Alaska Department of Natural Resources' (ADNR) Division of Mining, Land, and Water (DMLW) issued preliminary land use decisions for public comment proposing to authorize facilities associated with the project's transportation corridor, including the access road and related material sites, airstrip, and upriver Jungjuk Port on January 28, 2019. The public comment period for these decisions closed on March 29, 2019. Also on January 28, 2019, ADNR's Division of Oil and Gas (DOG), State Pipeline Coordinator's Section issued a preliminary decision to authorize the sections of the pipeline on State lands. The public comment period for this decision closed on March 22, 2019. In late February, DMLW and DOG, began a series of six public meetings on their preliminary decisions (Anchorage, Bethel, Aniak, McGrath, Tyonek, and Skwenta Roadhouse).

ADNR's approval of the Alaska Dam Safety certificates for the tailings facility and water retention and diversion structures requires a thorough stepwise process to deliver a Final Construction Package. The next step in the process is a site investigation and collection of high-quality geotechnical information for the advancement of the engineering from a feasibility level to the final construction package. The site investigation information will support a preliminary design package, detailed design package and ultimately the final construction package each of which will be submitted to ADNR for final approval and issuance of the certificates. We are currently in the advanced planning stage for the 2019/2020 field program. This program will consist of geotechnical core drilling, test pits, overburden drilling, packer tests, hydrogeologic test well installation and pumping tests, and geophysical surveys.

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

During 2018, a group called the Yukon-Kuskokwim River Alliance (YKRA) was formed with the purpose of protecting salmon habitat in the Yukon-Kuskokwim Delta. This organization along with 12 of the 56 village councils in the Calista Region (Native Village

of Kasigluk, Orutsararmiut Native Council (ONC), Native Village of Eek, Tuluksak Native Community, Tununak Council, Native Village of Nunapitchuk, Chuloonawick Tribal Council, Native Village of Kwigillingok, Native Village of Kongiganak, Cheforak Traditional Council, Chevak Native Village, and Native Village of Napakiak) have adopted resolutions opposing development of the Donlin Gold project. Earthjustice, speaking on behalf of ONC, Akiak Native Community IRA Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Chuloonawick Tribal Council, and the YKRA, requested an informal review of the State of Alaska's 401 certification by the Director of the Division of Water in the Alaska Department of Environmental Conservation (ADEC). In October 2018, the Director responded to the request by deciding to conduct the informal review and a decision is expected in the second half of 2019.

On February 7, 2019, Earthjustice filed an administrative appeal of the Reclamation and Closure Plan Approval. ADNR is expected to issue a decision on the appeal in the second half of 2019. Also on February 7, 2019, Earthjustice requested an informal review by the Director of ADEC's Division of Water of the Waste Management Permit issuance. The request for review was granted by ADEC on March 1, 2019 and a decision is expected in the second half of 2019.

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

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

Our share of funding for the Donlin Gold project in the first quarter of 2019 was \$0.9 million for permitting and community engagement efforts. Our share of the total 2019 work program and budget is \$13 million to continue to advance the project. The Alaska Dam Safety certificates require additional fieldwork and more detailed engineering over the next two years and Donlin Gold will continue to maintain its engagement with communities throughout the Y-K region.

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

Outlook

We do not currently generate operating cash flows. At February 28, 2019, we had cash and cash equivalents of \$22.8 million and term deposits of \$139.0 million. At present, we believe that these balances are sufficient to cover anticipated funding of the Donlin Gold project and corporate general and administrative costs. Additional capital will be necessary if a decision to commence engineering and construction is reached for the Donlin Gold project. Future financings to fund construction are anticipated through debt, equity, project specific debt, and/or other means. Our continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. However, there can be no assurance that we will be successful in our efforts to raise additional capital on terms favorable to us, or at all. For further information, see the risk factors in our Annual Report on Form 10-K for the year ended November 30, 2018, as filed with the SEC and the Canadian Securities Regulators on January 23, 2019.

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

Summary of Consolidated Financial Performance

(\$ thousands, except per share)	Three months ended February 28,	
	2019	2018
Loss from operations	\$(5,663)	\$(6,526)
Net loss from continuing operations	(6,323)	(7,962)
Net loss from discontinued operations	—	(253)
Net loss	\$(6,323)	\$(8,215)
Net loss per common share – basic and diluted		
Continuing operations	\$(0.02)	\$(0.03)
Discontinued operations	—	—
	\$(0.02)	\$(0.03)

Results of Operations

First quarter 2019 compared to 2018

Loss from operations decreased from \$6.5 million in 2018 to \$5.7 million in 2019 due to lower general and administrative expense and lower costs at Donlin Gold LLC. General and administrative expense decreased by \$0.3 million primarily due to lower share-based compensation costs. At Donlin Gold expenses decreased by \$0.5 million resulting from a reduction in permitting and optimization activities.

Net loss from continuing operations decreased from \$8.0 million (\$0.03 per share) in 2018 to \$6.3 million (\$0.02 per share) in 2019, primarily due to lower operating losses, higher interest income and accretion of notes receivable, offset by higher interest expense on the promissory note payable to Barrick and foreign exchange losses.

Net loss from discontinued operations, net of tax of \$0.3 million (\$0.00 per share) in 2018 resulted from our share of expenses at the Galore Creek project. On July 27, 2018, we completed the sale of our 50% interest in the Galore Creek Partnership (GCP).

Liquidity, Capital Resources and Capital Requirements

(\$ thousands)	At	At	Change
	February 28, 2019	November 30, 2018	
Cash and cash equivalents	\$22,777	\$21,004	\$1,773
Term deposits	\$139,000	\$146,000	\$(7,000)

In the first quarter of 2019, total *Cash, cash equivalents* and *Term deposits* decreased by \$5.2 million of which \$4.3 million was used in operating activities for administrative costs and working capital changes and \$0.9 million was used to fund Donlin Gold. The term deposits are denominated in U.S. dollars and are held at Canadian chartered banks.

(\$ thousands)	Three months ended February 28,	
	2019	2018
Net cash (used in) provided from:		
Operating activities of continuing operations	\$(3,150)	\$(4,642)
Investing activities of continuing operations	\$6,103	\$(1,747)
Financing activities of continuing operations	\$(1,197)	\$—
Net cash used in:		
Investing activities of discontinued operations	\$—	\$(643)

First quarter 2019 compared to 2018

Net cash used in operating activities of continuing operations decreased by \$1.5 million, due to higher interest income and changes in working capital. *Net cash provided from (used in) investing activities of continuing operations* included a \$7.0 million

reduction in term deposits in the first quarter of 2019 and Donlin Gold funding decreased by \$0.8 million due to lower permitting and optimization activities. In the first quarter of 2019, *Net cash used in financing activities of continuing operations* related to withholding taxes paid on vested performance share units.

Outstanding share data

As of March 26, 2019, the Company had 325,242,605 common shares issued and outstanding. Also, as of March 26, 2019, the Company had: i) a total of 17,010,660 stock options outstanding; 9,135,960 of those stock options with a weighted-average exercise price of C\$4.37 and the remaining 7,874,700 with a weighted-average exercise price of \$4.07; and ii) 1,669,100 performance share units and 275,223 deferred share units outstanding. Upon exercise of the foregoing convertible securities, the Company would be required to issue a maximum of 19,789,533 common shares.

Accounting Developments

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Credit risk

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

Interest rate risk

The interest rate on the promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as at February 28, 2019, and assuming all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of approximately \$1.0 million in the interest accrued by us per annum.

Item 4. Controls and Procedures

Management, with the participation of our President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of February 28, 2019. On the basis of this review, our President and Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have not been any changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated by the SEC under the Exchange Act) during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. The Company's internal controls over financial reporting are based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are a party to routine litigation and proceedings that are considered part of the ordinary course of our business. We are not aware of any material current, pending, or threatened litigation.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended November 30, 2018, as filed with the SEC on January 23, 2019. The risk factors in our Annual Report on Form 10-K for the year ended November 30, 2018, in addition to the other information set forth in this quarterly report, could materially affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we deem to be immaterial could also materially adversely affect our business, financial condition or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

These disclosures are not applicable to us.

Item 5. Other Information.

None.

Item 6. Exhibits

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 2, 2019

NOVAGOLD RESOURCES INC.

By: /s/ Gregory A. Lang

Gregory A. Lang

President and Chief Executive Officer

(principal executive officer)

By: /s/ David A. Ottewell

David A. Ottewell

Vice President and Chief Financial Officer

(principal financial and accounting officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	2004 Stock Award Plan of NOVAGOLD Resources Inc. (as amended)
10.2	2009 Performance Share Unit Plan of NOVAGOLD Resources Inc. (as amended)
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101	The following materials are filed herewith: (i) XBRL Instance, (ii) XBRL Taxonomy Extension Schema, (iii) XBRL Taxonomy Extension Calculation, (iv) XBRL Taxonomy Extension Labels, (v) XBRL Taxonomy Extension Presentation, and (vi) XBRL Taxonomy Extension Definition. In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Exchange Act of 1934, and otherwise is not subject to liability under these sections and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by the specific reference in such filing.

NOVAGOLD RESOURCES INC.

2004 STOCK AWARD PLAN (AS AMENDED)

EFFECTIVE MAY 11, 2004, AS AMENDED APRIL 26, 2005
(WITH EFFECTIVE DATE OF AMENDMENT OF MARCH 10, 2006),
AS FURTHER AMENDED MAY 31, 2007, AS FURTHER AMENDED MARCH 10, 2009
(WITH EFFECTIVE DATE OF AMENDMENT OF MAY 26, 2009), AS FURTHER AMENDED APRIL 25, 2012,
AS FURTHER AMENDED JUNE 5, 2014, AS FURTHER AMENDED JANUARY 25, 2017, AS FURTHER AMENDED JANUARY 23, 2019.

NOVAGOLD RESOURCES INC.
2004 STOCK AWARD PLAN (AS AMENDED)

PART 1
INTERPRETATION

1.01 Definitions In this Plan the following words and phrases shall have the following meanings, namely:

- (a) “**Award**” shall mean any award or benefit granted under the Plan, including Options, SARs and Tandem SARs;
 - (b) “**Award Agreement**” means the written or electronic agreement between the Company and an Awardee relating to the granting of an Award, in the form or substantially in the form of Exhibit A attached to this Plan, and containing such terms and conditions as are required by Exchange Policy and Securities Laws;
 - (c) “**Awardee**” shall mean the holder of an outstanding Award;
 - (d) “**Award Price**” means the price at which an Option or a SAR may be granted in accordance with Exchange Policy and Securities Laws. The Award Price shall not be less than the Fair Market Value of a Share on the date of grant of the Award;
 - (e) “**Board**” means the board of directors of the Company and includes any committee of directors appointed by the directors as contemplated by Section 3.01 hereof;
 - (f) “**Cause**” has the meaning ascribed to the phrase “cause” or “just cause for termination” under the laws of British Columbia;
 - (g) “**Change of Control**” means:
 - (i) the acquisition whether directly or indirectly, by a person or company, or any persons or companies acting jointly or in concert (as determined in accordance with the Securities Act (British Columbia) and the rules and regulations thereunder) of voting securities of the Corporation which, together with any other voting securities of the Corporation held by such person or company or persons or companies, constitute, in the aggregate, more than 50% of all outstanding voting securities of the Corporation;
 - (ii) an amalgamation, arrangement or other form of business combination of the Corporation with another company which results in the holders of voting securities of that other company holding, in the aggregate, 50% or more of all outstanding voting securities of the Corporation (including a merged or successor company) resulting from the business combination; or
 - (iii) the sale, lease or exchange of all or substantially all of the property of the Corporation to another person, other than a subsidiary of the Corporation or other than in the ordinary course of business of the Corporation;
 - (h) “**Company**” means NovaGold Resources Inc.;
 - (i) “**Designated Subsidiary**” means an entity (including, for greater certainty, a partnership) which is controlled by the Company and which has been designated by the Company for purposes of the Plan from time to time, and for the purposes of this definition, a person (first person) is considered to control another person (second person) if the first person, directly or indirectly, has the power to direct the management and policies of the second person by virtue of:
 - (i) ownership of or direction over voting securities in the second person,
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- (ii) a written agreement or indenture,
 - (iii) being the general partner or controlling the general partner of the second person, or
 - (iv) being a trustee of the second person;
- (j) “**Director**” means any director of the Company or of any of its Designated Subsidiaries;
- (k) “**Eligible Consultant**” means an individual, other than an Employee that (i) is engaged to provide on a *bona fide* basis consulting, technical, management or other services to the Company or any Designated Subsidiary under a written contract between the Company or the Designated Subsidiary and the individual or a company of which the individual consultant is an employee (other than services related to a distribution or services that directly or indirectly promote or maintain a market for the Company’s securities) and (ii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or a Designated Subsidiary;
- (l) “**Employee**” means any individual in the employment of the Company or any of its Designated Subsidiaries or any combination or partnership of such companies or of a company providing management or administrative services to the Company;
- (m) “**Exchange**” means The Toronto Stock Exchange and any other stock exchange on which the Shares are listed for trading;
- (n) “**Exchange Policy**” means the policies, bylaws, rules and regulations of the Exchange governing the granting of awards by the Company pursuant to Security Based Compensation Arrangements, as amended from time to time;
- (o) “**Expiry Date**” means not later than five years from the date of grant of the Award; provided, however, that if at any time the expiry of the term of an Award should be determined to occur either during a period in which the trading of Shares by the Awardee is restricted under the insider trading policy or other policy of the Company or within ten business days following such a period, such Expiry Date shall be deemed to be the date that is the tenth business day following the date of expiry of such restriction;
- (p) “**Fair Market Value**” means, with respect to any property (including, without limitation, any Shares), the fair market value of such property determined by such methods or procedures as are established from time to time by the Board in accordance with Exchange Policy. Unless otherwise determined by the Board, the fair market value of a Share as of a given date will be (a) the price at which the last recorded sale of a board lot of Shares took place on the Exchange during the trading day immediately preceding the date in question or (b) if there was no such sale, the price of the last recorded sale of a board lot of Shares on the Exchange on the most recent preceding date on which such a sale took place;
- (q) “**Good Reason**” means the occurrence of any one or more of the following without a Participant’s written consent:
- (i) a material change in the Participant’s position or duties, responsibilities, title or office in effect immediately prior to a Change of Control, which includes any removal of the Participant from or any failure to re-elect or re-appoint the Participant to any such position or office;
 - (ii) a reduction in the Participant’s overall annual compensation for services provided to the Corporation in the cumulative amount of 5% or more within a 12 month period;
 - (iii) any change to the terms or conditions of the employment of the Participant that would constitute “constructive dismissal” as that term is defined at common law which the Company fails to remedy within thirty (30) days of receiving written notice from the Participant of any such change; or
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- (iv) the Corporation relocating the Participant to any place other than the location at which the Participant reported for work on a regular basis immediately prior to a Change of Control or a place within 25 miles of that location;
- (r) “**Insider**” has the meaning ascribed thereto in Exchange Policy;
- (s) “**Joint Actor**” means a person acting “jointly or in concert with” another person as that phrase is interpreted in section 96 of the Securities Act;
- (t) “**Nonqualified Stock Option**” means an Option granted to a U.S. Participant that is not intended to qualify as an “incentive stock option” within the meaning of section 422 of the U.S. Internal Revenue Code of 1986, as amended;
- (u) “**Option**” means an option to acquire Shares granted under this Plan;
- (v) “**Officer**” means any senior officer of the Company or of any of its Designated Subsidiaries;
- (w) “**Participant**” means a Director, Officer, Employee or Eligible Consultant;
- (x) “**Plan**” means this stock award plan as from time to time amended;
- (y) “**SAR**” or “**Stock Appreciation Right**” means the right to receive an amount, in Shares, equal to the excess of the Fair Market Value of a specified number of Shares as of the date the SAR is exercised over the SAR Price for such shares;
- (z) “**SAR Price**” means the Award Price of a SAR, determined on the grant date of the SAR, as set forth in the Award Agreement;
- (aa) “**Securities Act**” means the *Securities Act* (British Columbia), as amended, from time to time;
- (bb) “**Securities Laws**” means the act, policies, bylaws, rules and regulations of the securities commissions governing the Company, as amended from time to time;
- (cc) “**Security Based Compensation Arrangement**” has the meaning ascribed thereto in the TSX Company Manual;
- (dd) “**Shares**” means common shares of the Company;
- (ee) “**Tandem SAR**” means a SAR granted in tandem with a related Option which gives the Awardee the right to surrender to the Company all or a portion of the related Option and to receive a distribution in Shares in an amount equal to the excess of the Fair Market Value of a specified number of Shares as of the date the SAR is exercised over the SAR Price for such Shares, which shall be the same price as the Award Price of the related Option. A Tandem SAR will have the same other terms and provisions as the related Option. To the extent a Tandem SAR is exercised, the related Option will terminate at the time of such exercise; and
- (ff) “**Vested**” means that an Award has become exercisable in accordance with the terms of this Plan and any applicable Award Agreement.

1.02 Gender Throughout this Plan, words importing the masculine gender shall be interpreted as including the female gender.

PART 2

PURPOSE OF PLAN

2.01 Purpose The purpose of this Plan is to attract and retain Employees, Eligible Consultants, Officers or Directors to the Company and to motivate them to promote the success of the Company’s business by aligning their financial interests to those of the Company and to long-term shareholder value.

PART 3
GRANTING OF STOCK AWARD

- 3.01 Administration This Plan shall be administered by the Board or, if the Board so elects, by a committee (which may consist of only one person) appointed by the Board from its members.
- 3.02 Committee's Recommendations The Board may accept all or any part of recommendations of the committee or may refer all or any part thereof back to the committee for further consideration and recommendation.
- 3.03 Grant by Resolution The Board, on its own initiative or, a committee of the Board duly appointed for the purpose of administering this Plan, may, by resolution, designate all eligible persons who are Employees, Eligible Consultants, Officers or Directors, or corporations employing or wholly owned by such Employee, Eligible Consultant, Officer or Director, to whom an Award should be granted and specify the terms of such Award which shall be in accordance with Exchange Policy and Securities Laws. Awards that are intended to be "qualified performance-based compensation" within the meaning of section 162(m) of the U.S. Internal Revenue Code ("**Section 162(m)**") shall be granted by a committee consisting of two or more "outside directors" as defined under Section 162(m).
- 3.04 Award Types. Awards granted hereunder may be Options, SARs or Tandem SARs, at the discretion of the Board and as reflected in the terms of the Award Agreement.
- 3.05 Terms of Award The resolution of the Board shall specify the number of Shares that should be placed under Award to each such Employee, Eligible Consultant, Officer or Director, the Award Price of each such Award, and the period during which such Award may be exercised.
- 3.06 Stock Options Options may be granted to Participants at any time as determined by the Board. The Board shall determine the number of Shares subject to each Option. Options granted under the Plan shall be Nonqualified Stock Options.
- 3.07 Stock Appreciate Rights Stock Appreciation Rights may be granted to Participants at any time as determined by the Board. A SAR may be granted in tandem with an Option granted under this Plan or on a free-standing basis. A SAR may be exercised upon such terms and conditions and for the term as the Board, in its sole discretion, determines, provided, however, that the term shall not exceed the Option term in the case of a Tandem SAR or five years in the case of a free-standing SAR. Upon exercise of a SAR, the Participant shall be entitled to receive payment from the Company in an amount determined by multiplying the excess of the Fair Market Value of a Share on the date of exercise over the Award Price of the SAR by the number of Shares with respect to which the SAR is exercised. The payment shall be made in Shares, the number of which shall be calculated by dividing the payment amount by the Fair Market Value of the Shares on the exercise date.
- 3.08 Award Agreement Every Award granted under this Plan shall be evidenced by an Award Agreement and, where not expressly set out in the Award Agreement, the provisions of such Award Agreement shall conform to and be governed by this Plan. In the event of any inconsistency between the terms of any Award Agreement and this Plan, the terms of this Plan shall govern.

PART 4
CONDITIONS GOVERNING THE GRANTING AND EXERCISING OF AN AWARD

- 4.01 Exercise Price The exercise price of an Award granted under this Plan shall not be less than the Award Price at the time of granting the Award.
- 4.02 Expiry Date Each Award shall, unless sooner terminated, expire on a date to be determined by the Board, and as set forth in the Award Agreement on the date of grant, which will not be later than the Expiry Date.
- 4.03 Different Exercise Periods, Prices and Number The Board may, in its absolute discretion, upon granting an Award under this Plan, and subject to the provisions of Section 6.03 hereof, specify a particular time period or periods following the date of granting the Award during which the Awardee may exercise his Award, may designate the Award Price in respect of which such Awardee may exercise his Award during each such time period and may determine and impose terms upon which each Award shall become Vested.
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- 4.04 Number of Shares . To One Person The number of Shares reserved for issuance to any one person pursuant to Awards granted under this Plan shall not exceed 5% of the outstanding Shares at the time of granting of the Award, and no one person may be granted any Award or Awards for more than Ten Million (10,000,000) Shares (subject to adjustment as provided for in Part 6), in the aggregate in any calendar year.
- 4.05 Termination of Employment If a Director, Officer, Employee or Eligible Consultant ceases to be so engaged by the Company for any reason other than death, such Director, Officer, Employee or Eligible Consultant shall have such rights to exercise any Vested Award not exercised prior to such termination within the lesser of six months from the date of the termination, unless otherwise extended by the Board, in its absolute discretion, or the Expiry Date of the Award; provided that if the termination is for just cause the right to exercise the Vested Award shall terminate on the date of termination unless otherwise determined by the Directors. Subject to Section 6.05, all non-Vested Awards shall terminate on the date of termination.
- 4.06 Death of Awardee If a Director, Officer, Employee or Eligible Consultant dies prior to the expiry of his Award, his legal representatives may, within the lesser of one year from the date of the Awardee's death or the Expiry Date of the Award, exercise that portion of a Vested Award granted to the Director, Officer, Employee or Eligible Consultant under this Plan which remains outstanding.
- 4.07 Assignment No Award granted under this Plan or any right thereunder or in respect thereof shall be transferable or assignable otherwise than by will or pursuant to the laws of succession except that, if permitted by all applicable Securities Laws and the rules and policies of the Exchange, an Awardee shall have the right to assign any Award granted to him hereunder to a trust or similar legal entity established by such Awardee.
- 4.08 Notice Awards shall be exercised only by written notice to the Company in accordance with the terms and conditions of this Plan and the applicable Award Agreement.
- 4.09 Payment Vested Awards may be exercised at any time in whole or in part prior to their lapse or termination. Payment in respect of the exercise of an Option may be made in cash or by check, or the Board may, in its discretion and to the extent permitted by law, allow such payment to be made through a broker-assisted cashless exercise mechanism or by such other method as the Board may determine to be appropriate.
- 4.10 Securities Laws Notwithstanding any other provision contained in this Plan, no holder may exercise any Award granted under this Plan and no Shares may be issued upon exercise of an Award unless such exercise and issuance are in compliance with all applicable Securities Laws.

PART 5
RESERVE OF SHARES FOR AWARDS

- 5.01 Sufficient Authorized Shares to be Reserved Whenever the Memorandum or Articles of the Company limit the number of authorized Shares, a sufficient number of Shares shall be reserved by the Board to satisfy the exercise of Awards granted under this Plan. Shares that were the subject of Awards that have lapsed or terminated shall thereupon no longer be in reserve and may once again be subject to an Award granted under this Plan.
- 5.02 Shares Subject to the Plan Subject to adjustment as provided in Part 6, the shares to be offered under the Plan shall consist of shares of the Company's authorized but unissued common shares. The aggregate number of Shares to be delivered upon the exercise of all Awards granted under the Plan shall not exceed 10% of the issued and outstanding Shares of the Company at the time of granting of Awards (on a non-diluted basis).
- 5.03 Maximum Number of Shares Reserved The maximum number of Shares issuable to Insiders pursuant to the Plan, together with any Shares issuable pursuant to any other Security Based Compensation Arrangement, at any time, shall not exceed 10% of the total number of outstanding Shares. The maximum number of Shares issued to Insiders pursuant to the Plan, together with any Shares issued pursuant to any other Security Based Compensation Arrangement, within any one year period, shall not exceed 10% of the total number of outstanding Shares.
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PART 6
CHANGES IN AWARDS

- 6.01 Share Consolidation or Subdivision In the event that the Shares are at any time subdivided or consolidated, the number of Shares reserved for granting of Awards and the price payable for any Shares that are then subject to Awards shall be adjusted accordingly.
- 6.02 Stock Dividend In the event that the Shares are at any time changed as a result of the declaration of a stock dividend thereon, the number of Shares reserved for granting of Awards and the price payable for any Shares that are then subject to Awards may be adjusted by the Board to such extent as they deem proper in their absolute discretion.
- 6.03 Effect of a Take-Over Bid If a bona fide offer (an “Offer”) for Shares is made to the Awardee or to shareholders of the Company generally or to a class of shareholders which includes the Awardee, which Offer, if accepted in whole or in part, would result in the offeror becoming a control person of the Company, within the meaning of subsection 1(1) of the Securities Act, the Company shall, immediately upon receipt of notice of the Offer, notify each Awardee of full particulars of the Offer, whereupon all Options or SARs subject to such Award will become Vested and the Award may be exercised in whole or in part by the Awardee so as to permit the Awardee to tender the Shares received upon such exercise, pursuant to the Offer. However, if:
- (a) the Offer is not completed within the time specified therein; or
 - (b) all of the Shares tendered by the Awardee pursuant to the Offer are not taken up or paid for by the offeror in respect thereof,
- then the Shares received upon such exercise, or in the case of clause (b) above, the Shares that are not taken up and paid for, may be returned by the Awardee to the Company and reinstated as authorized but unissued Shares and with respect to such returned Shares, the Award shall be reinstated as if it had not been exercised and the terms upon which such Awards were to become Vested pursuant to this section shall be reinstated. If any Shares are returned to the Company under this Section 6.03, the Company shall immediately refund the exercise price to the Awardee for such Shares.
- 6.04 Acceleration of Expiry Date If an Offer is made by an offeror at any time when an Award granted under the Plan remains unexercised, in whole or in part the Directors may, upon notifying each Awardee of full particulars of the Offer, declare all Shares issuable upon the exercise of Awards granted under the Plan, Vested, and declare that the Expiry Date for the exercise of all unexercised Awards granted under the Plan is accelerated so that all Awards will either be exercised or will expire prior to the date upon which Shares must be tendered pursuant to the Offer.
- 6.05 Effect of a Change of Control With respect to grants made prior to January 23, 2019, if a Change of Control occurs, all Shares subject to each such outstanding Award will become Vested, whereupon such Award may be exercised in whole or in part by the Awardee. With respect to grants made on or after January 23, 2019, if the employment of an Awardee is terminated by the Company other than for Cause or if the Awardee resigns for Good Reason, in each case, within 12 months following a Change of Control, all of the Awardee’s Awards shall vest immediately prior to the Awardee’s date of termination.

PART 7
EXCHANGE’S RULES AND POLICIES APPLY

- 7.01 Exchange’s Rules and Policies Apply This Plan and the granting and exercise of any Awards hereunder are also subject to such other terms and conditions as are set out from time to time in the rules and policies on security based compensation awards of the Exchange and any securities commission having authority and such rules and policies shall be deemed to be incorporated into and become a part of this Plan. In the event of an inconsistency between the provisions of such rules and policies and of this Plan, the provisions of such rules and policies shall govern.
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PART 8
AMENDMENT OF PLAN

- 8.01 Board May Amend The Board of Directors shall have the power to, at any time and from time to time, either prospectively or retrospectively, and without shareholder approval, amend, suspend or terminate the Plan or any Award granted under the Plan, including, without limiting the generality of the foregoing, changes of a clerical or grammatical nature and changes regarding the vesting of Awards; provided however that:
- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed;
 - (b) no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of an Awardee with respect to any then outstanding Award, as determined by the Board of Directors acting in good faith, without his or her consent in writing;
 - (c) the Board of Directors shall obtain shareholder approval of the following:
 - (i) any amendment to the maximum number of Shares specified in subsection 5.02 in respect of which Awards may be granted under the Plan (other than pursuant to Part 6);
 - (ii) any amendment that would reduce the Award Price of an outstanding Award (other than pursuant to Part 6); and
 - (iii) any amendment that would extend the term of any Award granted under the Plan beyond the Expiry Date.
- 8.02 Powers of the Board Following Termination of the Plan. If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board of Directors and in force on the date of termination will continue in effect as long as any Award or any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board of Directors shall remain able to make such amendments to the Plan or the Award as they would have been entitled to make if the Plan were still in effect.

PART 9
MISCELLANEOUS

- 9.01 Other Plans Not Affected This Plan is in addition to any other existing plans and shall not in any way affect the policies or decisions of the Board in relation to the remuneration of Directors, Officers, Employees and Eligible Consultants.
- 9.02 No Rights Until Award Exercised An Awardee shall be entitled to the rights pertaining to share ownership, such as to dividends, only with respect to Shares that have been fully paid for and issued to him upon exercise of an Award.
- 9.03 No Right to Employment This Plan will not confer upon any Awardee any right with respect to continuation of such Awardee's employment, consulting or other service relationship with the Company, and will not interfere in any way with the Company's right to terminate such Awardee's employment, consulting or other service relationship at any time, with or without cause.
- 9.04 Tax Withholding The Company or a Designated Subsidiary may withhold from any amount payable to a Participant, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that the Company or the Designated Subsidiary will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, including on the amount, if any, includable in the income of a Participant. The Company shall also have the right in its discretion to satisfy any such withholding tax liability by retaining, acquiring or selling on behalf of a Participant any Shares which would otherwise be issued or provided to a Participant hereunder. For the purposes of assisting a Participant who is a U.S. citizen or a U.S. resident for U.S. federal income tax purposes in paying all or a portion of the U.S. federal and state taxes to be withheld or collected upon exercise of an Award, the Board, in its discretion and subject to such additional terms and conditions as it may adopt, may permit a U.S. Participant, subject to applicable laws, to satisfy such tax obligation by (a) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise of such Award having a Fair Market Value equal to the amount of such taxes or (b) delivering to the Company Shares (other than Shares issuable upon exercise of such Award) having a Fair Market Value equal to the amount of such taxes. The election, if any, must be made on or before the date that the amount of tax to be withheld is determined.
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- 9.05 No Trust Fund Neither this Plan nor any Award will create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and an awardee or any other person. To the extent that any awardee acquires a right to receive payments from the Company pursuant to an Award, such right will be no greater than the right of any unsecured general creditor of the Company.
- 9.06 Governing Law The validity, construction and effect of this Plan and any Award Agreement will be determined in accordance with the internal laws, and not the law of conflicts, of the Province of British Columbia and the laws of Canada applicable therein.
- 9.07 Effective Date This Plan shall become effective upon the later of the date of acceptance for filing of this Plan by the Exchange and the approval of this Plan by the shareholders of the Company; provided, however, that Awards may be granted under this Plan prior to the receipt of approval of the Exchange. In the event that this Plan is not adopted by the shareholders of the Company within 12 months after approval by the Board, this Plan will terminate.

EFFECTIVE DATE OF AMENDMENT: June 5, 2014, as further amended January 25, 2017, as further amended January 23, 2019.

Exhibit A

NOVAGOLD RESOURCES INC. AWARD AGREEMENT

This Award Agreement is entered into between NovaGold Resources Inc. (the “**Company**”) and the Awardee named below pursuant to the 2004 Stock Award Plan (the “**Plan**”), a copy of which is attached hereto, and confirms that:

1. on [insert grant date] (the “**Grant Date**”);
2. [insert name] (the “**Awardee**”);
3. was granted the [insert type of Award] (the “**Award**”) [insert particulars of Award] of the Company;
4. for the price (the “**Award Price**”) of \$● per Award;
5. which shall be exercisable (“**Vested**”) on ●, 200●;
6. terminating on the [insert date] (the “**Expiry Date**”);

all on the terms and subject to the conditions set out in the Plan. For greater certainty, once Awards have become Vested, they continue to be exercisable until the termination or cancellation thereof as provided in this Award Agreement and the Plan.

By signing this Award Agreement, the Awardee consents to Solium Capital maintaining and administering the award in accordance with the terms and conditions of the Plan.

By signing this Award Agreement, the Awardee acknowledges that the Awardee has read and understands the Plan and agrees to the terms and conditions of the Plan and this Award Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Award Agreement as of the ● day of ●, 200●.

NOVAGOLD RESOURCES INC.

AWARDEE

Per: _____
Authorized Signatory



NOVAGOLD RESOURCES INC.

2009 PERFORMANCE SHARE UNIT PLAN

EFFECTIVE MAY 26, 2009, AS AMENDED MAY 29, 2012, AS FURTHER AMENDED ON JUNE 5, 2014, AS FURTHER AMENDED ON JANUARY 25, 2017, AS FURTHER AMENDED ON JANUARY 23, 2019.

NOVAGOLD RESOURCES INC.

2009 PERFORMANCE SHARE UNIT PLAN

1. PURPOSE

- 1.1 This Plan has been established by the Corporation to assist the Corporation in the recruitment and retention of highly qualified employees and consultants by providing a means to reward superior performance, to motivate Participants under the Plan to achieve important corporate and personal objectives and, through the issuance of Shares in the Corporation to Participants under the Plan, to better align the interests of Participants with the long-term interests of Shareholders.

2. PLAN DEFINITIONS AND INTERPRETATIONS

In this Plan, the following terms have the following meanings:

- (a) “**Account**” means the bookkeeping account established and maintained by the Corporation for each Participant in which the number of Share Units of the Participant are recorded;
 - (b) “**Applicable Law**” means any applicable provision of law, domestic or foreign, including, without limitation, applicable securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder and Stock Exchange Rules;
 - (c) “**Beneficiary**” means any person designated by the Participant as his or her beneficiary under the Plan in accordance with Section 13.1 or, failing any such effective designation, the Participant’s estate;
 - (d) “**Board**” means the Board of Directors of the Corporation;
 - (e) “**Cause**” has the meaning ascribed to the phrase “cause” or “just cause for termination” under the laws of British Columbia;
 - (f) “**Change of Control**” means:
 - (i) the acquisition whether directly or indirectly, by a person or company, or any persons or companies acting jointly or in concert (as determined in accordance with the Securities Act (British Columbia) and the rules and regulations thereunder) of voting securities of the Corporation which, together with any other voting securities of the Corporation held by such person or company or persons or companies, constitute, in the aggregate, more than 50% of all outstanding voting securities of the Corporation;
 - (ii) an amalgamation, arrangement or other form of business combination of the Corporation with another company which results in the holders of voting securities of that other company holding, in the aggregate, 50% or more of all outstanding voting securities of the Corporation (including a merged or successor company) resulting from the business combination; or
 - (iii) the sale, lease or exchange of all or substantially all of the property of the Corporation to another person, other than a subsidiary of the Corporation or other than in the ordinary course of business of the Corporation;
 - (g) “**Committee**” means the Compensation Committee of the Board or any other committee or person designated by the Board to administer the Plan;
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- (h) “**Corporation**” means NovaGold Resources Inc. and its respective successors and assigns, and any reference in the Plan to action by the Corporation means action by or under the authority of the Board or any person or committee that has been designated for the purpose by the Board including, without limitation, the Committee;
 - (i) “**Designated Subsidiary**” means an entity (including, for greater certainty, a partnership) which is controlled by the Corporation and which has been designated by the Corporation for purposes of the Plan from time to time, and for the purposes of this definition, a person (first person) is considered to control another person (second person) if the first person, directly or indirectly, has the power to direct the management and policies of the second person by virtue of:
 - (i) ownership of or direction over voting securities in the second person,
 - (ii) a written agreement or indenture,
 - (iii) being the general partner or controlling the general partner of the second person, or
 - (iv) being a trustee of the second person;
 - (j) “**Director**” means a director of the Corporation;
 - (k) “**Eligible Consultant**” means an individual, other than an Employee that (i) is engaged to provide on a *bona fide* basis consulting, technical, management or other services to the Corporation or any Designated Subsidiary under a written contract between the Corporation or the Designated Subsidiary and the individual or a company of which the individual consultant is an employee (other than services related to a distribution or services that directly or indirectly promote or maintain a market for the Corporation’s securities) and (ii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Designated Subsidiary;
 - (l) “**Employee**” means an employee of the Corporation or any of its Designated Subsidiaries or any combination or partnership of such corporations;
 - (m) “**Employer**” means the Corporation, the Designated Subsidiary or the combination or partnership of such corporations that employs the Participant or that employed the Participant immediately prior to the Participant’s Termination Date;
 - (n) “**Expiry Date**” means, with respect to Share Units granted to a Participant, the date determined by the Corporation for such purpose for such grant, which date shall be no later than the date which is two years after the Participant’s Termination Date and shall, in all cases, be in compliance with the requirements pertaining to the exception to the application of the salary deferral arrangement rules of Section 248(1)(k) of the *Income Tax Act* (Canada), as such section may be amended or re-enacted from time to time;
 - (o) “**Fiscal Year**” means a fiscal year of the Corporation;
 - (p) “**Good Reason**” means the occurrence of any one or more of the following without a Participant’s written consent:
 - (i) a material change in the Participant’s position or duties, responsibilities, title or office in effect immediately prior to a Change of Control, which includes any removal of the Participant from or any failure to re-elect or re-appoint the Participant to any such position or office;
 - (ii) a reduction in the Participant’s overall annual compensation for services provided to the Corporation in the cumulative amount of 5% or more within a 12 month period;
 - (iii) any change to the terms or conditions of the employment of the Participant that would constitute “constructive dismissal” as that term is defined at common law which the Company fails to remedy within thirty (30) days of receiving written notice from the Participant of any such change; or
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- (iv) the Corporation relocating the Participant to any place other than the location at which the Participant reported for work on a regular basis immediately prior to a Change of Control or a place within 25 miles of that location;
- (q) **“Grant Agreement”** means an agreement between the Corporation and a Participant under which Share Units are granted, together with such amendments, deletions or changes thereto as are permitted under the Plan;
- (r) **“Grant Date”** of a Share Unit means the date a Share Unit is granted to a Participant under the Plan;
- (s) **“Insider”** has the meaning provided for purposes of the TSX relating to Security Based Compensation Arrangements;
- (t) **“Joint Actor”** means a person acting “jointly or in concert with” another person within the meaning of Section 96 of the *Securities Act* (British Columbia) or as such section may be amended or re-enacted from time to time;
- (u) **“Market Value”** with respect to a Share as at any date means the arithmetic average of the closing price of the Shares traded on the TSX for the five (5) trading days on which a board lot was traded immediately preceding such date (or, if the Shares are not then listed and posted for trading on the TSX, on such stock exchange on which the Shares are then listed and posted for trading as may be selected for such purpose by the Corporation). In the event that the Shares are not listed and posted for trading on any stock exchange, the Market Value shall be the Market Value of the Shares as determined by the Board in its discretion, acting reasonably and in good faith;
- (v) **“Participant”** means a bona fide full-time or part-time Employee or an Eligible Consultant who, in any such case, has been designated by the Corporation for participation in the Plan;
- (w) **“Payout Date”** means a date selected by the Corporation, in accordance with and as contemplated by Section 3.2 and Section 6.1;
- (x) **“Performance Goal”** means one or more of the following performance goals, either individually, alternatively or in any combination, applied on a corporate, subsidiary, division, business unit or line of business basis:

Financial Performance Goals:

- economic value added (EVA);
 - sales or revenue;
 - costs or expenses;
 - performance relative to budget;
 - net profit after tax;
 - gross profit;
 - income (including without limitation operating income, pre-tax income and income attributable to the Company);
 - cash flow (including without limitation free cash flow and cash flow from operating, investing or financing activities or any combination thereof);
 - earnings (including without limitation earnings before or after taxes, earnings before interest and taxes (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings (whether before or after taxes), EBIT or EBITDA as a percentage of net sales;
 - net working capital;
 - margins (including one or more of gross, operating and net income margin);
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Shareholder Performance Goals:

- earnings per share (EPS) (basic or diluted);
- earnings per share from continuing operations;
- returns (including one or more of return on actual or pro forma assets, net assets, equity, investment, revenue, sales, capital and net capital employed, total shareholder return (TSR) and total business return (TBR));
- ratios (including one or more of price to earnings, debt to assets, debt to net assets and ratios regarding liquidity, solvency, fiscal capacity, productivity or risk);
- stock price;
- value creation;
- market capitalization;

Corporate Performance Goals:

- safety performance;
- environmental performance;
- development and implementation of exploration programs;
- advancement of governmental permitting and approval processes;
- development and implementation of corporate social responsibility/sustainable development initiatives;
- engagement with key stakeholders;
- evaluation of corporate development opportunities;
- corporate compliance and reporting;
- implementation or completion of key corporate initiatives or projects;
- strategic plan development and implementation;
- workforce satisfaction;
- employee retention;
- productivity metrics;
- career development;

Each such Performance Goal may be based (i) solely by reference to absolute results of individual performance or organizational performance at various levels (e.g., the Company's performance or the performance of a subsidiary, division, business segment or business unit of the Company) or (ii) upon organizational performance relative to the comparable performance of other companies selected by the Committee. To the extent consistent with Section 162(m), the Committee may, when it establishes performance criteria, also provide for the exclusion of charges related to an event or occurrence which the Committee determines should appropriately be excluded, including (X) asset-write downs, litigation or claim judgments or settlements, reorganizations, the impact of acquisitions and divestitures, restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges, (Y) foreign exchange gains and losses or an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management, or (Z) the cumulative effects of tax or accounting changes in accordance with U.S. generally accepted accounting principles (or other accounting principles which may then be in effect). To the extent that Section 162(m) of the Code or applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without disclosing to Shareholders and obtaining Shareholder approval of such changes and without thereby exposing the Company to potentially adverse tax or other legal consequences, the Committee shall have the sole discretion to make such changes without obtaining Shareholder approval;

(y) "Plan" means this 2009 Performance Share Unit Plan;

(z) "Reorganization" means any (i) capital reorganization, (ii) merger, (iii) amalgamation, or (iv) arrangement or other scheme of reorganization;



- (aa) “**Section 162(m)**” means Section 162(m) of the *U.S. Internal Revenue Code of 1986, as amended*, and the Treasury Regulations promulgated thereunder as in effect from time to time;
- (bb) “**Section 409A**” means Section 409A of the *U.S. Internal Revenue Code of 1986, as amended*, and the Treasury Regulations promulgated thereunder as in effect from time to time;
- (cc) “**Security Based Compensation Arrangement**” has the meaning defined in the provisions of the TSX Company Manual relating to security based compensation arrangements;
- (dd) “**Shareholders**” means the holders of Shares;
- (ee) “**Shares**” mean Common Shares of the Corporation and includes any securities of the Corporation into which such Common Shares may be converted, reclassified, redesignated, subdivided, consolidated, exchanged or otherwise changed, pursuant to a Reorganization or otherwise;
- (ff) “**Share Unit**” means a unit credited by means of an entry on the books of the Corporation to a Participant pursuant to the Plan, representing the right to receive, subject to and in accordance with the Plan, for each Vested Share Unit one Share, at the time, in the manner, and subject to the terms, set forth in the Plan and the applicable Grant Agreement;
- (gg) “**Stock Exchange Rules**” means the applicable rules of any stock exchange upon which Shares are listed;
- (hh) “**Termination Date**” means the date on which a Participant ceases, for any reason including resignation, termination, death or disability, to be an active Employee or an Eligible Consultant, as the case may be, and, in the case of a Participant who is an Employee, where the employment is terminated by the Employer, whether wrongful or for cause or otherwise, such date shall be the date notice of termination is provided and, in the case of a Participant who is an Eligible Consultant, the date the written contract between the Eligible Consultant and the Corporation or any Designated Subsidiary is terminated or expires and the Eligible Consultant no longer provides services thereunder;
- (ii) “**TSX**” means the Toronto Stock Exchange; and
- (jj) “**Vested Share Units**” shall mean Shares in respect of which all vesting terms and conditions set forth in the Plan and the applicable Grant Agreement have been either satisfied or waived in accordance with the Plan.

2.2 In this Plan, unless the context requires otherwise, words importing the singular number may be construed to extend to and include the plural number, and words importing the plural number may be construed to extend to and include the singular number.

3. GRANT OF SHARE UNITS AND TERMS

3.1 The Corporation may grant Share Units to such Participant or Participants in such number and at such times as the Corporation may, in its sole discretion, determine, as a bonus or similar payment in respect of services rendered by the Participant for a Fiscal Year or otherwise as compensation, including as an incentive for future performance by the Participant.

3.2 In granting any Share Units pursuant to Section 3.1, the Corporation shall designate:

- (a) the number of Share Units which are being granted to the Participant;
 - (b) any time or performance based or other conditions as to vesting of the Share Units to become Vested Share Units; and
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- (c) the Payout Date, which shall in no event be later than the Expiry Date and, unless otherwise determined on the Grant Date, shall be the third anniversary of the Grant Date; and
 - (d) the Expiry Date;
- which shall be set out in the Grant Agreement.

3.3 Subject to the terms of the Plan, the Corporation may determine any other terms or conditions with respect to the vesting of Share Units granted pursuant to Section 3.1, in whole or in part, to become Vested Share Units or the provision of Shares under the Plan, including without limitation, provisions which make the vesting of Share Units conditional upon (i) the achievement of corporate or personal objectives, including the attainment of milestones relating to financial, operational, strategic or other objectives of the Corporation, (ii) the market price of Shares from time to time and/or the return to Shareholders, and/or (iii) any other performance criteria relating to the Participant, the Corporation, a subsidiary, or business unit. Any such conditions shall be set out in the Grant Agreement.

The conditions may relate to all or any portion of the Share Units in a grant and may be graduated such that different percentages of the Share Units in a grant will become Vested Share Units depending on the extent of satisfaction of one or more such conditions. The Corporation may, in its discretion and having regard to the best interests of the Corporation, subsequent to the Grant Date of a Share Unit, waive any such terms or conditions or determine that they have been satisfied.

3.4 Share Units that are intended to be “qualified performance-based compensation” within the meaning of Section 162(m) shall be conditioned solely on the achievement of one or more objective Performance Goals established within the time prescribed by Section 162(m), and shall otherwise comply with the requirements of Section 162(m), as described below:

- (a) for each Share Unit, a committee consisting of two or more “outside directors” as defined under Section 162(m) (the “Committee”) shall, not later than 90 days after the beginning of each performance period, (i) designate all Participants for such performance period and (ii) establish the objective performance factors for each Participant for that performance period on the basis of one or more of the Performance Goals, the outcome of which is substantially uncertain at the time the Committee actually establishes the Performance Goal. The Committee shall have sole discretion to determine the applicable performance period, provided that in the case of a performance period less than 12 months, in no event shall a performance goal be considered to be pre-established if it is established after 25 percent of the performance period (as scheduled in good faith at the time the Performance Goal is established) has elapsed. To the extent required under Section 162(m), the terms of the objective performance factors must preclude discretion to increase an amount paid in connection with an Award, but may permit discretion to reduce such amount; and
- (b) following the close of each performance period and prior to payment of any amount to a Participant with respect to a Share Unit, the Committee shall certify in writing as to the attainment of all factors (including the performance factors for a Participant) upon which any payments to a Participant for that performance period are to be based.

No Share Units that are intended to be “qualified performance-based compensation” shall be granted under the Plan after the first stockholder meeting to occur in the fifth year following the year in which Shareholders approved the Performance Goals unless and until the Performance Goals or the Plan is re-approved by the Shareholders.

4. GRANT AGREEMENT

4.1 Each grant of a Share Unit will be set forth in a Grant Agreement containing terms and conditions required under the Plan and such other terms and conditions not inconsistent herewith as the Corporation may, in its sole discretion, deem appropriate.

5. SHARE UNIT GRANTS AND ACCOUNTS

5.1 An Account shall be maintained by the Corporation for each Participant. On the Grant Date, the Account will be credited with the Share Units granted to a Participant on that date.

6. PAYOUTS

6.1 On each Payout Date and subject to Section 6.5, the Participant shall be entitled to receive, and the Corporation shall issue or provide, Shares equal in number to the Vested Share Units in the Participant's Account to which the Payout Date relates.

6.2 The number of Shares to be issued or provided shall be equal to the whole number of Vested Share Units. Where the number of Share Units would result in the issue of a fractional Share Unit in the form of a fractional Share, the number of Share Units to be issued in the form of Shares shall be rounded down to the next whole number of Share Units. No fractional Shares shall be issued and such fractional Share entitlement shall be satisfied by a cash payment to the Participant in an amount equal to such fractional Share entitlement multiplied by the Market Value on the Payout Date.

6.3 Shares issued by the Corporation from treasury under this Plan shall be considered fully paid in consideration of past service that is no less in value than the fair equivalent of the money the Corporation would have received if the Shares had been issued for money.

6.4 Subject to and in accordance with any Applicable Law, the Corporation may, but is not obligated to, acquire issued and outstanding Shares in the market for the purposes of providing Shares to Participants under the Plan. The Shares acquired for this purpose shall not be included for the purpose of determining the maximum number of Shares to be issued under the Plan in accordance with Section 10.1.

6.5 If so determined by the Corporation, in lieu of the issue or provision of Shares, the Corporation may satisfy the issuance or provision of Shares under the Plan, in whole or in part, by the payment of a cash amount to a Participant on the Payout Date. The amount of such payment shall be equal to the number of Shares in respect of which the Corporation makes such a determination, multiplied by the Market Value on the Payout Date, subject to any applicable withholding tax. An entitlement so paid in cash shall not be included for the purpose of determining the maximum number of Shares to be issued under the Plan in accordance with Section 10.1.

7. TERMINATION OF EMPLOYMENT AND FORFEITURES

7.1 Unless otherwise determined by the Corporation pursuant to Section 7.2 and subject to Section 7.3, on a Participant's Termination Date, any Share Units in a Participant's Account which are not Vested Share Units shall terminate and be forfeited.

7.2 Notwithstanding Section 7.1, where a Participant ceases to be an Employee as a result of the termination of his or her employment without cause, then in respect of each grant of Share Units made to such Participant, at the Corporation's discretion, all or a portion of such Participant's Share Units may be permitted to continue to vest, in accordance with their terms, during any statutory or common law severance period or any period of reasonable notice required by law or as otherwise may be determined by the Corporation in its sole discretion.

7.3 Subject to Section 15 hereof, notwithstanding the conditions as to vesting of Share Units contained in any individual Grant Agreement, if at any time within 12 months from the date of a Change of Control: (i) a Participant's relationship with the Corporation is terminated by the Corporation other than for Cause or (ii) a Participant resigns for Good Reason, all outstanding Share Units held by such Participant shall become Vested Share Units and the Payout Date in connection with such Participant's Vested Share Units shall be accelerated to the date of such Participant's termination or resignation for Good Reason and the Corporation shall issue Shares to such Participants with respect to such Vested Share Units in accordance with Sections 6 and 8; provided that in the event that any Share Units are subject to performance-based vesting conditions, then the vesting of such Share Units shall accelerate only to the extent that such performance-based vesting conditions have been satisfied and further provided that if a performance-based vesting condition is, in the Board's discretion, capable of being partially performed, then vesting shall be accelerated on a pro rata basis to reflect the degree to which the vesting condition has been satisfied, as determined by the Board.

7.4 In the event a Participant's Termination Date is prior to the Payout Date with respect to any Vested Share Units in such Participant's Account, the Payout Date with respect to such Vested Share Units shall, notwithstanding any provision in the Grant Agreement, be accelerated to the Participant's Termination Date and the Corporation shall, as soon as practicable following such Termination Date, issue or provide Shares or make payment to such Participant with respect to such Vested Share Units in accordance with Section 6.

8. FORFEITED UNITS

8.1 Notwithstanding any other provision of the Plan or a Grant Agreement, Share Units granted hereunder shall terminate on, if not redeemed or previously terminated and forfeited in accordance with the Plan, and be of no further force and effect after, the Expiry Date.

9 ALTERATION OF NUMBER OF SHARES SUBJECT TO THE PLAN

9.1 In the event that the Shares shall be subdivided or consolidated into a different number of Shares or a distribution shall be declared upon the Shares payable in Shares, the number of Share Units then recorded in the Participant's Account shall be adjusted by replacing such number by a number equal to the number of Shares which would be held by the Participant immediately after the distribution, subdivision or consolidation, should the Participant have held a number of Shares equal to the number of Share Units recorded in the Participant's Account on the record date fixed for such distribution, subdivision or consolidation.

9.2 In the event there shall be any change, other than as specified in Section 9.1, in the number or kind of outstanding Shares or of any shares or other securities into which such Shares shall have been changed or for which they shall have been exchanged, pursuant to a Reorganization or otherwise, then there shall be substituted for each Share referred to in the Plan or for each share into which such Share shall have been so changed or exchanged, the kind of securities into which each outstanding Share shall be so changed or exchanged and an equitable adjustment shall be made, if required, in the number of Share Units then recorded in the Participant's Account, such adjustment, if any, to be reasonably determined by the Committee and to be effective and binding for all purposes.

9.3 With respect to grants made prior to January 23, 2019 and subject to Section 15 hereof, notwithstanding the conditions as to vesting of Share Units contained in any individual Grant Agreement, all outstanding Share Units shall become Vested Share Units on any Change of Control and the Payout Date in connection with such Vested Share Units shall, notwithstanding any provisions in the Grant Agreement, be accelerated to the date of such Change of Control and the Corporation shall, as soon as practicable following such Change of Control, issue or provide Shares or make payments to such Participants with respect to such Vested Share Units in accordance with Section 6. For greater certainty, this Section 9.3 shall not apply to grants made on or after January 23, 2019.

9.4 In the case of any such substitution, change or adjustment as provided for in this Section 9, the variation shall generally require that the aggregate Market Value of the Share Units then recorded in the Participant's Account prior to such substitution, change or adjustment will be proportionately and appropriately varied so that it be equal to such aggregate Market Value after the variation.

10. RESTRICTIONS ON ISSUANCE

10.1 Share Units may be granted by the Corporation in accordance with this Plan provided the aggregate number of Share Units outstanding pursuant to the Plan from time to time shall not exceed 3% of the number of issued and outstanding Shares from time to time.

10.2 The maximum number of Shares issuable to Insiders pursuant to the Plan, together with any Shares issuable pursuant to any other Security Based Compensation Arrangement, at any time, shall not exceed 10% of the total number of outstanding Shares. The maximum number of Shares issued to Insiders pursuant to the Plan, together with any Shares issued pursuant to any other Security Based Compensation Arrangement, within any one year period, shall not exceed 10% of the total number of outstanding Shares. No one person may be granted any Share Units (whether ultimately settled for Shares or cash) for more than 9,500,000 Shares (subject to adjustment as provided for in Part 9), in the aggregate in any calendar year.

11. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

11.1 The Corporation may, without notice, at any time and from time to time, and without shareholder approval, amend the Plan or any provisions thereof in such manner as the Corporation, in its sole discretion, determines appropriate:

- (a) for the purposes of making formal minor or technical modifications to any of the provisions of the Plan,
- (b) to correct any ambiguity, defective provision, error or omission in the provisions of the Plan,
- (c) to change the vesting provisions of Share Units to reflect revised performance metrics or to accelerate vesting in the event that performance criteria is achieved earlier than expected;
- (d) to change the termination provisions of Share Units or the Plan which does not entail an extension beyond the original Expiry Date of the Share Units; or
- (e) the amendments contemplated by Section 15.1(f);

provided, however, that:

- (f) no such amendment of the Plan may be made without the consent of each affected Participant in the Plan if such amendment would adversely affect the rights of such affected Participant(s) under the Plan; and
- (g) shareholder approval shall be obtained in accordance with the requirements of the TSX for any amendment that results in:
 - (i) an increase in the maximum number of Shares issuable pursuant to the Plan (other than pursuant to Section 9);
 - (ii) an extension of the Expiry Date for Share Units granted under the Plan;
 - (iii) other types of compensation through Share issuance;
 - (iv) an expansion of the rights of a Participant to assign Share Units other than as set forth in Section 14.2; or
 - (v) the addition of additional categories of participants (other than as contemplated by Section 9);
 - (vi) changes in eligible participants that may permit the introduction or reintroduction of non-employee directors on a discretionary basis; or
 - (vii) any amendments to this Section 11.1 that will increase the Corporation's ability to amend the Plan without shareholder approval.

11.2 If the Corporation terminates the Plan, Share Units previously credited shall, at the discretion of the Corporation, either (a) be settled immediately in accordance with the terms of the Plan in effect at such time, or (b) remain outstanding and in effect and settled in due course in accordance with the applicable terms and conditions, in either case without shareholder approval.

12. ADMINISTRATION

12.1 Unless otherwise determined by the Board, the Plan shall be administered by the Committee subject to Applicable Laws. The Committee shall have full and complete authority to interpret the Plan, to prescribe such rules and regulations and to make such other determinations as it deems necessary or desirable for the administration of the Plan. All actions taken and decisions made by the Committee shall be final, conclusive and binding on all parties concerned, including, but not limited to, the Participants and their beneficiaries and legal representatives, each Designated Subsidiary and the Corporation. All expenses of administration of the Plan shall be borne by the Corporation.

12.2 The Corporation shall keep or cause to be kept such records and accounts as may be necessary or appropriate in connection with the administration of the Plan and the discharge of its duties. At such times as the Corporation shall determine, the Corporation shall furnish the Participant with a statement setting forth the details of his or her Share Units including the Grant Date and the Vested Share Units and unvested Share Units held by each Participant. Such statement shall be deemed to have been accepted by the Participant as correct unless written notice to the contrary is given to the Corporation within 30 days after such statement is given to the Participant.

12.3 The Corporation may, at its discretion, appoint one or more persons or companies to provide services in connection with the Plan including without limitation, administrative and record-keeping services.

13. BENEFICIARIES AND CLAIMS FOR BENEFITS

13.1 Subject to the requirements of Applicable Law, a Participant may designate in writing a Beneficiary to receive any benefits that are payable under the Plan upon the death of such Participant. The Participant may, subject to Applicable Law, change such designation from time to time. Such designation or change shall be in such form and executed and filed in such manner as the Corporation may from time to time determine.

14. GENERAL

14.1 The transfer of an employee from the Corporation to a Designated Subsidiary, from a Designated Subsidiary to the Corporation or from a Designated Subsidiary to another Designated Subsidiary, shall not be considered a termination of employment for the purposes of the Plan, nor shall it be considered a termination of employment if a Participant is placed on such other leave of absence which is considered by the Corporation as continuing intact the employment relationship.

14.2 The Plan shall enure to the benefit of and be binding upon the Corporation, its successors and assigns. The interest of any Participant under the Plan or in any Share Unit shall not be transferable or assignable other than by operation of law, except, if and on such terms as the Corporation may permit, to a spouse or minor children or grandchildren or a personal holding company or family trust controlled by a Participant, the shareholders or beneficiaries of which, as the case may be, are any combination of the Participant, the Participant's spouse, the Participant's minor children or the Participant's minor grandchildren, and after his or her lifetime shall enure to the benefit of and be binding upon the Participant's Beneficiary.

14.3 The Corporation's grant of any Share Units or issuance of any Shares hereunder is subject to compliance with Applicable Law applicable thereto. As a condition of participating in the Plan, each Participant agrees to comply with all Applicable Law and agrees to furnish to the Corporation all information and undertakings as may be required to permit compliance with Applicable Law.

14.4 The Corporation or a Designated Subsidiary may withhold from any amount payable to a Participant, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that the Corporation or the Designated Subsidiary will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, including on the amount, if any, includable in the income of a Participant. The Corporation shall also have the right in its discretion to satisfy any such withholding tax liability by retaining, acquiring or selling on behalf of a Participant any Shares which would otherwise be issued or provided to a Participant hereunder.

- 14.5 A Participant shall not have the right or be entitled to exercise any voting rights, receive any distribution or have or be entitled to any other rights as a Shareholder in respect of any Share Units.
- 14.6 Neither designation of an employee as a Participant nor the grant of any Share Units to any Participant entitles any Participant to the grant, or any additional grant, as the case may be, of any Share Units under the Plan. Neither the Plan nor any action taken thereunder shall interfere with the right of an Employer of a Participant to terminate a Participant's employment at any time. Neither any period of notice, if any, nor any payment in lieu thereof, upon termination of employment, wrongful or otherwise, shall be considered as extending the period of employment for the purposes of the Plan.
- 14.7 Participation in the Plan shall be entirely voluntary and any decision not to participate shall not affect any employee's employment with the Corporation or a Designated Subsidiary.
- 14.8 The Plan shall be an unfunded obligation of the Corporation. Neither the establishment of the Plan nor the grant of any Share Units or the setting aside of assets by the Corporation (if, in its sole discretion, it chooses to do so) shall be deemed to create a trust. The right of the Participant or Beneficiary to receive payment pursuant to the Plan shall be no greater than the right of other unsecured creditors of the Corporation.
- 14.9 This Plan is established under the laws of the Province of British Columbia and the rights of all parties and the construction of each and every provision of the Plan and any Share Units granted hereunder shall be construed according to the laws of the Province of British Columbia.
15. SECTION 409A
- 15.1 It is intended that the provisions of this Plan comply with Section 409A, and all provisions of this Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding anything in the Plan to the contrary, the Corporation may provide in the applicable Grant Agreement with respect to Share Units granted to Participants whose benefits under the Plan are or may become subject to Section 409A, such terms and conditions as may be required for compliance with Section 409A. In addition, the following will apply to the extent that a Participant's Share Units are subject to Section 409A.
- (a) Except as permitted under Section 409A, any Share Units, or payment with respect to Share Units, may not be reduced by, or offset against, any amount owing by the Participant to the Corporation or any Designated Subsidiary.
 - (b) If a Participant otherwise would become entitled to receive payment in respect of any Share Units as a result of his or her ceasing to be an Employee or Eligible Consultant upon a Termination Date, any payment made on account of such person ceasing to be an Employee or Eligible Consultant shall be made at that time only if the Participant has experienced a "separation from service" (within the meaning of Section 409A).
 - (c) If a Participant is a "specified employee" (within the meaning of Section 409A) at the time he or she otherwise would be entitled to payment as a result of his or her separation from service, any payment that otherwise would be payable during the six-month period following such separation from service will be delayed and shall be paid on the first day of the seventh month following the date of such separation from service or, if earlier, the Participant's date of death.
 - (d) A Participant's status as a specified employee shall be determined by the Corporation as required by Section 409A on a basis consistent with the regulations under Section 409A and such basis for determination will be consistently applied to all plans, programs, contracts, agreements, etc. maintained by the Corporation that are subject to Section 409A.
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- (e) Each Participant, any beneficiary or the Participant's estate, as the case may be, is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such Participant in connection with this Plan (including any taxes and penalties under Section 409A), and neither the Corporation nor any Designated Subsidiary or affiliate shall have any obligation to indemnify or otherwise hold such Participant or beneficiary or the Participant's estate harmless from any or all of such taxes or penalties.
- (f) If and to the extent that Share Units would otherwise become payable upon a Change of Control as defined in the Plan, such payment will occur at that time only if such change of control also constitutes a "change in ownership", a "change in effective control" or a "change in the ownership of a substantial portion of the assets of the Corporation" as defined under Section 409A and applicable regulations (a "**409A Change in Control**"). If a Change of Control as defined in the Plan is not also a 409A Change in Control, unless otherwise permitted under Section 409A the time for the payment of Share Units will not be accelerated and will be payable pursuant to the terms of the Plan and applicable Grant Agreement as if such Change of Control had not occurred.
- (g) In the event that the Committee determines that any amounts payable under the Plan will be taxable to a Participant under Section 409A prior to payment to such Participant of such amount, the Corporation may (i) adopt such amendments to the Plan and Share Units and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Committee determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Grant Agreement and/or (ii) take such other actions as the Corporation determines necessary or appropriate to avoid or limit the imposition of an additional tax under Section 409A.

EFFECTIVE DATE: MAY 26, 2009, AS AMENDED MAY 29, 2012, AS FURTHER AMENDED JUNE 5, 2014, AS FURTHER AMENDED ON JANUARY 25, 2017, AS FURTHER AMENDED ON JANUARY 23, 2019.
