



NOVAGOLD RESOURCES INC.
ANNUAL REPORT TO ACCOMPANY MANAGEMENT
INFORMATION CIRCULAR
FOR YEAR ENDED NOVEMBER 30, 2021

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NOVAGOLD RESOURCES INC.

OVERVIEW

NOVAGOLD RESOURCES INC. (“NOVAGOLD,” “we,” or the “Company”) operates in the gold mining industry, primarily focused on advancing the Donlin Gold project in Alaska. The Donlin Gold project is held by Donlin Gold LLC (“Donlin Gold”), a limited liability company owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick Gold Corporation (“Barrick”).

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

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

Executive office

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

Corporate office

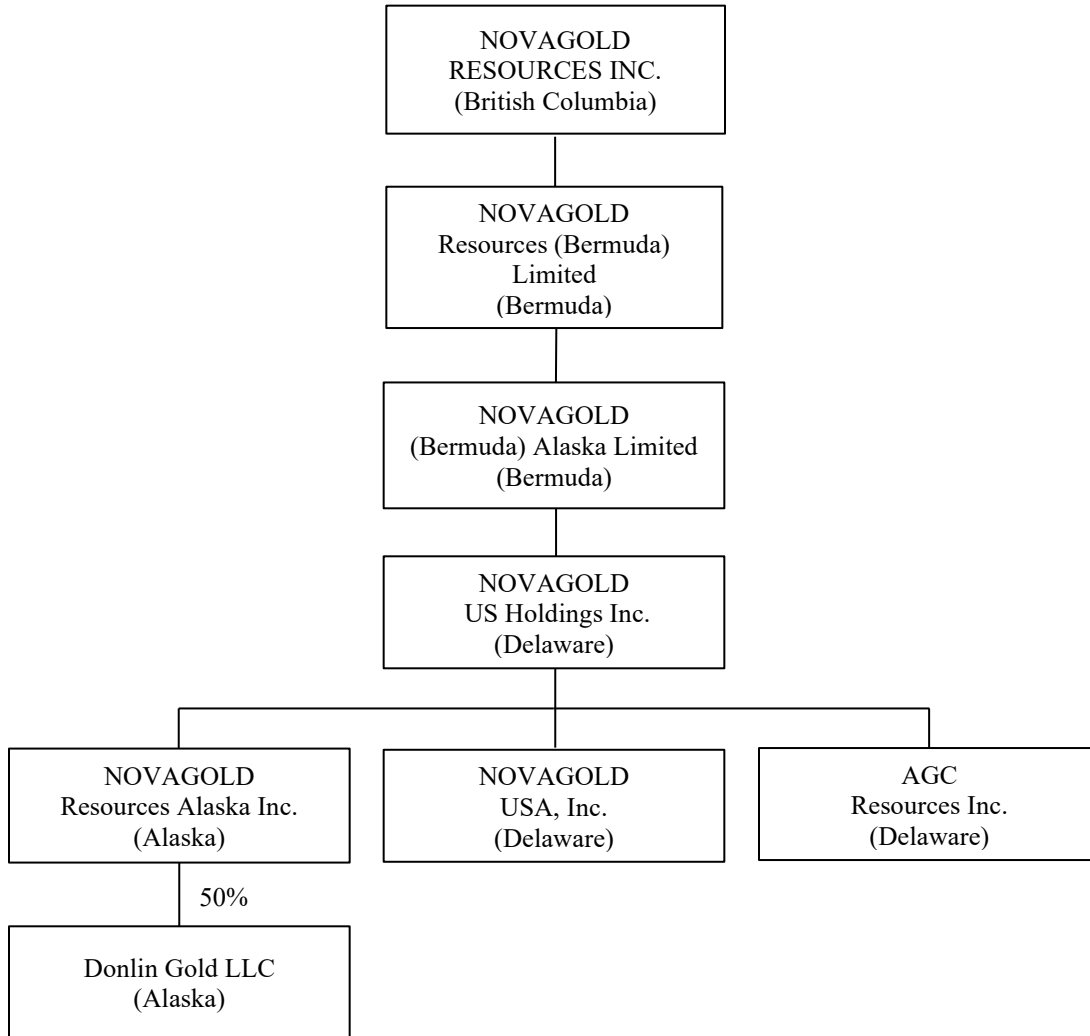
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Corporate Structure

As of November 30, 2021, we had the following material, direct and indirect, wholly-owned subsidiaries: NOVAGOLD Resources Alaska, Inc., NOVAGOLD US Holdings Inc., NOVAGOLD USA, Inc., AGC Resources Inc, NOVAGOLD (Bermuda) Alaska Limited and NOVAGOLD Resources (Bermuda) Limited.

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



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Human Capital Resources

On November 30, 2021, we had 14 full-time employees, of which four are located in Canada and ten are located in the United States. We also use consultants with specific skills to assist with various aspects of project evaluation, engineering, and corporate governance.

Company Values

Our company culture is the cornerstone of all our human capital programs. Empowering every employee to be their best, affording every employee the opportunity to make a difference, and giving every employee a chance to be heard are core Company values. Our values extend to the communities in which we work. We have adopted a Human Rights Policy focused on our commitment to having a positive influence in the communities where we operate which includes ensuring that we respect human rights.

Diversity

As of the end of fiscal year 2021, 43% of our total workforce were women. Selection of individuals for executive and other positions with the Company is guided by the Company's policy which "prohibits discrimination in any aspect of employment based on race, color, religion, sex, national origin, disability or age." Our Board and management acknowledge the importance of all aspects of diversity including gender, ethnic origin, business skills and experience, because it is right to do so and because it is good for our business. When considering candidates for executive positions, the Board's evaluation considers the broadest possible assessment of each candidate's skills and background with the overriding objective of ensuring that we have the appropriate balance of skills, experience, and capacity that the Company needs to be successful. In the context of this overriding objective, we have determined not to set targets for the percentage of women, or other aspects of diversity, in executive officer positions.

NOVAGOLD is committed to fostering, cultivating, and preserving a culture of diversity, equity and inclusion. Our employees are one of the most valuable assets we have. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities, and talent that our employees invest in their work represents a significant part of our culture, reputation, and NOVAGOLD's achievements.

NOVAGOLD is dedicated to creating an inclusive work environment for everyone. We embrace and celebrate the unique experiences, perspectives, and cultural backgrounds that each employee brings to our workplace. NOVAGOLD strives to foster an environment where our employees feel respected, valued and empowered, and our team members are at the forefront in helping us promote and sustain an inclusive workplace.

NOVAGOLD's diversity initiatives are applicable—but not limited—to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; and the ongoing development of a work environment built on the premise of gender and diversity equity. To that end, we seek out qualified diverse candidates to encourage them to apply for open positions, either from within or outside of the company. We also seek out opportunities to develop a pipeline of qualified diverse candidates in a particular profession when we are unable to find them ourselves.

We encourage:

- Respectful communication and cooperation among all employees.
- Teamwork and employee participation, fostering the representation of all employee perspectives.
- Work/life balance through flexible work schedules to accommodate employees' varying needs.
- Learning about and, where appropriate, providing assistance in the communities near NOVAGOLD's projects to promote a greater understanding and respect for diversity in those communities.

In 2021, the Company established and funded the NOVAGOLD Mining and Geological Engineering Scholarship at the University of Alaska to help support and encourage undergraduate students seeking bachelor's degrees in Mining or Geological Engineering, with a focus on supporting underrepresented students.

Safety and Health

NOVAGOLD's primary objective is to ensure the health and safety of its employees, partners, and contractors, and is reflected in its Health and Safety Policy. The Company has implemented COVID-19 policies at its offices in Salt Lake City and Vancouver designed to ensure the safety and well-being of all employees and the people associated with them. As a result of the COVID-19 pandemic, to reduce risk, our employees have been encouraged to be fully vaccinated against COVID-19, have been asked to work remotely, avoid all non-essential travel, adhere to good hygiene practices, and engage in physical distancing. Our focus on safety is also reflected at Donlin Gold where a wide-ranging set of policies were implemented at the Donlin Gold project site and Anchorage office

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to mitigate the spread of COVID-19. Also see section *Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations*, below.

Recent Developments

The Company has elected to early adopt the mining disclosure standards of *Subpart 229.1300 of Regulation S-K – Disclosure by Registrants Engaged in Mining Operations* (“S-K 1300”). The Company will be subject to and required to disclose mineral resources and mineral reserves in accordance with S-K 1300. While the S-K 1300 rules are similar to National Instrument 43-101 Standards of Disclosure for Mineral Projects (“NI 43-101”) rules in Canada, they are not identical and therefore two reports have been produced for the Donlin Gold project. The information in *Item 2, Properties*, below is common to both reports and contains pertinent information required under S-K 1300.

Donlin Gold Technical Report (NI 43-101)

The Company retained Wood Canada Limited (“Wood”) to update content in its previously filed “*Donlin Creek Gold Project, Alaska, USA, NI 43-101 Technical Report on the Second Updated Feasibility Study*,” effective November 18, 2011, and amended January 20, 2012 (“2011 Mining Study”). Wood completed an exercise to verify which content in the 2011 Mining Study remains current, and what was required to update the report content with the latest information. Updated content includes operating costs, capital costs, tax rates, long term gold price, and the economic analysis. Additionally, work done on the property since 2011 with respect to exploration, drilling, permitting, and minor mine design changes as a result of recent permitting activities are summarized in the updated content. A data verification exercise was completed by each Wood Qualified Person (“QP”) co-authoring the report. This included a September 2020 site visit by two of the report QPs; review of the geologic data, geologic model, and resource model; review of metallurgical test work; review of designs for mining, processing, and infrastructure, including minor design updates; update of capital and operating cost estimates utilizing a combination of cost indices and vendor quotations; and an updated economic analysis. Canadian NI 43-101 Definitions and CIM Definition Standards for Mineral Resources and Mineral Reserves (“CIM Definition Standards”), adopted by CIM Council on May 10, 2014 apply for this exercise.

The Wood review determined that the report updating exercise resulted in no material change to the Mineral Resources or Mineral Reserves. On August 31, 2021, the Company voluntarily filed an updated NI 43-101 technical report for the Donlin Gold project in Alaska, USA, and titled “*NI 43-101 Technical Report on the Donlin Gold Project, Alaska, USA*,” with an effective date of June 1, 2021 (“2021 Technical Report”) reflecting the results of the above exercise. The 2021 Technical Report was prepared by Wood and the following contributors, each of whom is a QP under NI 43-101: Henry Kim, P.Geol., Senior Resource Geologist, Wood Canada Limited; Mike Woloschuk, P.Eng., VP Global Business Development & Consulting, Wood Group USA, Inc.; and Kirk Hanson, MBA, P.E., Technical Director, Open Pit Mining, Wood Group USA, Inc. The 2021 Technical Report is available on the Company’s website and on EDGAR at www.sec.gov and on SEDAR at www.sedar.com.

Donlin Gold Technical Report Summary (S-K 1300)

The Company is a registrant with the SEC and is reporting its exploration results, Mineral Resources, and Mineral Reserves using the mining disclosure standards of S-K 1300. The Company requested that Wood Canada Limited (“Wood”) prepare a Technical Report Summary of the Donlin Gold project, Alaska, USA using the standards of S-K 1300 and it is titled “*S-K 1300 Technical Report Summary on the Donlin Gold Project, Alaska, USA*” (“S-K 1300 Report”), current as of November 30, 2021, with a report date of November 30, 2021. Wood prepared the S-K 1300 Report from the 2011 Mining Study of the Donlin deposits that was completed to at least pre-feasibility level, as defined by S-K 1300, at the time of the study. Material aspects of the 2011 Mining Study were updated by Wood in 2020 and made current. As part of the update process, Wood’s subject matter experts completed an exercise to verify and update the content of the 2011 Mining Study with the latest information under the supervision of Wood’s independent QP co-authors of the S-K 1300 Report. Updated content includes operating costs, capital costs, taxes, forecast long term gold price and the economic analysis. Additionally, work done since 2011 on the property with respect to exploration, drilling, permitting and minor project design changes as a result of recent permitting activities are summarized in the S-K 1300 Report. A data verification exercise was completed by each Wood QP co-authoring the S-K 1300 Report. Wood QPs verified that the updated content of the 2011 Mining Study met at least pre-feasibility level of study as defined in S-K 1300, and it supports the disclosure of exploration results, Mineral Resources, and Mineral Reserves using S-K 1300 standards.

Results of the Donlin Gold Technical Report (NI 43-101) and Donlin Gold Technical Report Summary (S-K 1300)

Wood reviewed the geologic and resource models that supported the 2011 Mining Study, including comparing them to data from recent drilling programs, and determined that they continue to be adequate and suitable to be used for a Mineral Resource estimation. Using updated cost inputs from the first calendar quarter of 2020, a gold price of \$1,500 per ounce, and the geologic and resource models utilized in support of the 2011 Mining Study, the contents within an updated optimized pit shell did not show a material

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change to the Mineral Resources stated in the 2011 Mining Study. Therefore, the Mineral Resources are considered current as of November 30, 2021 and are unchanged. They continue to have an effective date of July 11, 2011.

Similarly, using updated cost inputs, a gold price of \$1,200 per ounce, and the geologic and resource models utilized in support of the 2011 Mining Study with appropriate modifying factors applied for Mineral Reserve estimation, the previous Mineral Reserve ultimate pit was contained within an updated optimized pit shell. Therefore, the Mineral Reserves remain current as of November 30, 2021 and are unchanged. Because the Mineral Reserves are supported by an updated economic analysis they have an effective date of April 27, 2021.

Outside of verifying the Mineral Resource and Mineral Reserve estimates, the primary efforts in the 2021 Technical Report and the S-K 1300 Report were financial and permitting updates. This includes updates to estimated capital costs, operating costs, reclamation and closure costs, royalties, taxes, and economic analysis, as well as current status of the permits. Updated capital costs are based on first calendar quarter 2020 pricing (cost indices and current commodity pricing and equipment quotes) applied to the engineering designs and material take-offs from the 2011 Mining Study, except for minor changes made during permitting in the operations water treatment plant and the natural gas pipeline. As a result of the content updates, the total initial capital cost estimate is \$7,402 million, which is an increase of 10.8% or \$723 million compared to the 2011 Mining Study total initial capital cost estimate. Likewise, the total sustaining capital estimate is \$1,723 million, which is an increase of 14.6% or \$219 million compared to the 2011 Mining Study total sustaining capital estimate. The 2011 Mining Study operating costs were updated to first calendar quarter 2020 by updating key cost drivers like energy, labor, consumables, and freight. No material changes to project designs, schedules, or productivities were made; consequently, the manning schedules and consumables remain unchanged. The updated estimated LOM operating costs total \$19,289 million, which is \$5.90/t mined, \$38.21/t processed, or \$635/oz gold sold.

The economic evaluation of the Donlin Gold project in both the 2021 Technical Report and the S-K 1300 Report was updated using the following inputs:

- A production plan based on the 2011 Mining Study of 53,500 t/d open pit gold mine with ore processing by means of flotation, pressure oxidation, and cyanidation. The pit designs and Mineral Reserves were based on the Measured and Indicated Mineral Resource estimates that were verified as remaining current. Annual LOM gold production averages 1.13 million ounces per year over a production life of 27 years, including 1.46 million ounces per year for the first five full years of production.
- \$1,500/oz gold price
- Current land and royalty agreements
- Initial and sustaining capital costs, and operating costs updated to first calendar quarter 2020
- Tax payments in accordance with the Tax Cuts and Jobs Act (“TCJA”) enacted in December 2017 and effective January 1, 2018
- \$292 million LOM contributions for reclamation, closure, and financial assurance
- Financing has been assumed on a 100%, all equity, stand-alone basis
- Escalation/inflation has been excluded
- No salvage is assumed at the end of operations

Based on the economic evaluation, the Donlin Gold project generates positive before and after-tax economic results. Total after-tax cash flow is \$13,145 million, after-tax NPV at a 5% discount rate is \$3,040 million, and the after-tax internal rate of return is 9.2%. After-tax payback is achieved 7.3 years following the start of production.

Donlin Gold project

In 2021, Donlin Gold completed a 79-hole drilling program totaling approximately 24,264 meters in both the ACMA and Lewis deposit areas. The primary objective of the program was to validate recent geologic modeling concepts and test for extensions of high-grade zones in both intrusive (igneous) and sedimentary rocks. Assays are pending and will be disclosed in 2022.

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

Reclamation

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

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Government and Environmental Regulations

Our exploration and development activities are subject to various national, state, and local laws and regulations in the United States, which govern prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances, disclosure requirements and other matters. We have obtained or have pending applications for those licenses, permits or other authorizations currently required to conduct our exploration and development programs. We believe that we are in compliance in all material respects with applicable mining, health, safety and environmental statutes and regulations in the United States. There are no current orders or directions relating to us with respect to the foregoing laws and regulations. For a more detailed discussion of the various government laws and regulations applicable to our operations and potential negative effects of these laws and regulations, see section *Item 1A, Risk Factors*, in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2021.

Competition

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

Availability of Raw Materials and Skilled Employees

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

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

Seasonality

Our business can be seasonal as our mineral exploration and development activities take place in southwestern Alaska. Due to the northern climate, work on the Donlin Gold project can be limited due to excessive snow cover and cold temperatures. In general, surface work often is limited to late spring through early fall, although work in some locations is more readily and efficiently completed during the winter months when the ground is frozen.

Gold Price History

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

The following table presents the annual high, low and average daily afternoon London Bullion Market Association ("LBMA") Gold Price over the past five calendar years on the London Bullion Market (\$/ounce):

Year	High	Low	Average
2017	\$1,346	\$1,151	\$1,257
2018	\$1,355	\$1,178	\$1,269
2019	\$1,546	\$1,271	\$1,392
2020	\$2,067	\$1,474	\$1,770
2021	\$1,943	\$1,684	\$1,799
2022 (through January 19)	\$1,827	\$1,789	\$1,812

On January 19, 2022, the afternoon LBMA gold price was \$1,827 per ounce.

Data Source: www.kitco.com

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Available Information

We maintain a website at www.novagold.com and make available, through the Investors section of the website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Section 16 filings and all amendments to those reports, as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission (“SEC”). These reports are also available at the SEC website at www.sec.gov. Certain other information, including but not limited to the Company’s Corporate Governance Guidelines, the charters of key committees of its Board of Directors and its Code of Business Conduct and Ethics are also available on the website. Our website and the information contained therein or connected thereto are not intended to be, and are not incorporated into this Annual Report. The Form 10-K does not form any part of the material for the solicitation of proxies. **We will promptly deliver free of charge, upon request, a copy of the Form 10-K to any shareholder requesting a copy. Requests should be directed to the attention of the Company’s Investor Relations Department at:**

**NOVAGOLD RESOURCES INC.
400 Burrard Street, Suite 1860
Vancouver, British Columbia, V6C 3A6
Canada**

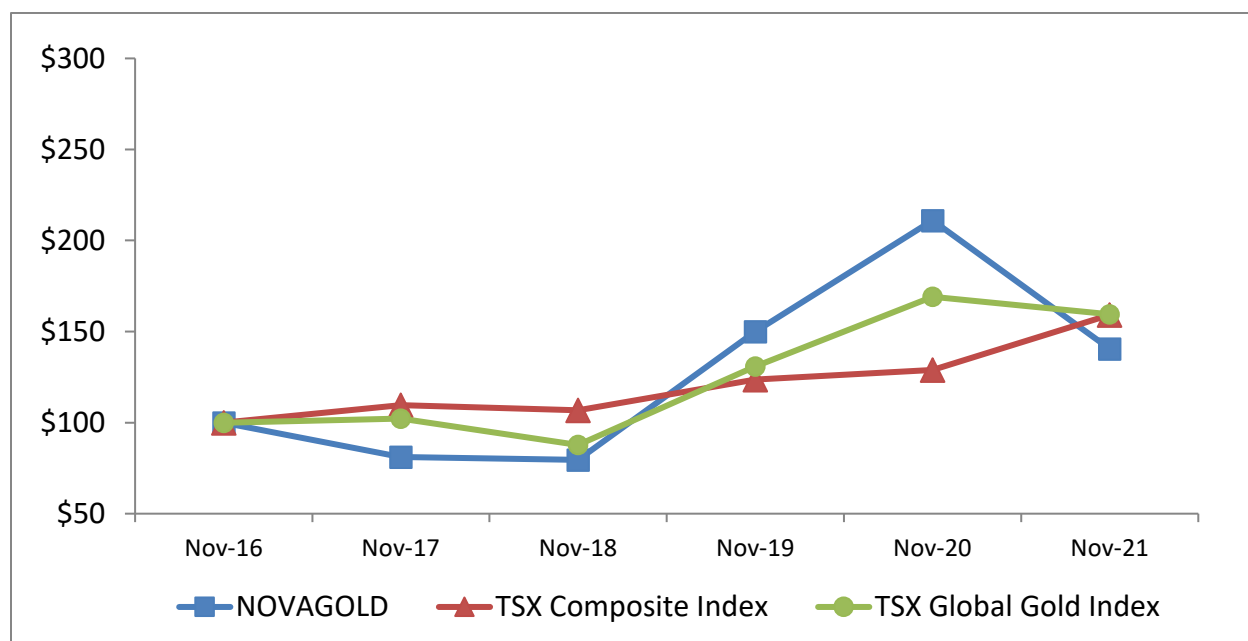
Market Information

Our common shares trade on the New York Stock Exchange (NYSE American) and on the Toronto Stock Exchange (TSX) under the symbol “NG.” On January 19, 2022, there were 592 holders of record of our shares, which does not include shareholders for which shares are held in nominee or street name. We believe that more than half of our common shares are beneficially owned by investors in the United States.

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Share Performance Graph

The following graph depicts the Company's cumulative total Shareholder returns over the five most recently completed fiscal years assuming a C\$100 investment in Common Shares on November 30, 2016, compared to an equal investment in the S&P/TSX Composite Index (TSX ticker: ^TSX) and in the S&P/TSX Global Gold Index (TSX ticker: ^TTGD) on November 30, 2016. The Company does not currently issue dividends. The Common Share performance as set out in the graph is not indicative of future price performance.



C\$	2017	2018	2019	2020	2021
Value based on C\$100 invested in the Company on November 30, 2016	81	80	150	211	141
Value based on C\$100 invested in the S&P/TSX Composite Index on November 30, 2016	110	107	124	129	159
Value based on C\$100 invested in the S&P/TSX Global Gold Index on November 30, 2016	102	88	131	169	160

Dividends

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

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

(dollars in thousands, except per share amounts)

The following discussion and analysis of our financial condition and results of operations constitutes management's review of the factors that affected our financial and operating performance for the years ended November 30, 2021 and 2020. This discussion should be read in conjunction with the consolidated financial statements and notes thereto contained elsewhere in this report. For a discussion of the years ended November 30, 2020 and 2019, see section Item 7., Management's Discussion and Analysis of Financial Condition and Results of Operations, on Registrant's Annual Report on Form 10-K for the year ended November 30, 2020, filed with the Securities and Exchange Commission on January 27, 2021.

Overview

We operate in the gold mining industry, primarily focused on advancing the Donlin Gold project in Alaska. The Donlin Gold project is held by Donlin Gold LLC ("Donlin Gold"), a limited liability company owned equally by wholly-owned subsidiaries of NOVAGOLD and Barrick Gold Corporation ("Barrick").

Our corporate goals include continuing to advance the Donlin Gold project toward a construction decision; maintaining support for Donlin Gold among the project's stakeholders; promoting a strong safety, sustainability, and environmental culture; maintaining a favorable reputation of NOVAGOLD; and preserving a healthy balance sheet. Our operations primarily relate to the delivery of project milestones, including the achievement of various technical, environmental, sustainable development, economic and legal objectives, obtaining necessary permits, completion of pre-feasibility and feasibility studies, preparation of engineering designs and the financing to fund these objectives.

COVID-19 response

The Company has implemented policies at its offices in Salt Lake City and Vancouver designed to ensure the safety and well-being of all employees and the people associated with them. In that regard, to reduce risk, our employees have been encouraged to get fully vaccinated against COVID-19, have been asked to work remotely, avoid all non-essential business travel, adhere to good hygiene practices, and engage in physical distancing. Continuation of COVID-19 in 2022 and beyond could impact employee health, workforce productivity, insurance premiums, ability to travel, the availability of industry experts, personnel and equipment, restrictions or delays to field work, studies, and assay results, and other factors that will depend on future developments that may be beyond our control.

At Donlin Gold, with dedicated community partners in Alaska and in the Yukon-Kuskokwim (Y-K) region, who share the objective of protecting the health of Donlin Gold's employees and contractors, a wide-ranging set of policies have been implemented at the Donlin Gold project site and Anchorage office designed to mitigate the spread of COVID-19.

The plan includes:

- testing of all personnel prior to visiting the Donlin Gold project site;
- testing on the third day after their arrival at camp;
- additional testing for direct local hires ahead of returning to their villages to reduce the spread of the virus where minimal health services are available;
- utilizing charters to safely deliver employees to and from camp to minimize in-region travel;
- screening and physical distancing measures while at camp;
- more frequent sanitization practices; and
- increased communication around hygiene and sanitization practices, as well as identification of symptoms.

The first positive cases at the Donlin Gold project site occurred in early October, 2021, just prior to the planned end-of-season closure. One individual after arrival to camp tested positive for COVID. The individual was immediately isolated and removed from site (by private charter flight) and quarantined in Anchorage for 10 days. In addition, contract tracing was conducted, and all close contacts were tested and isolated. Three more positive cases occurred in the following days. Additional responses taken included: daily testing of remaining site personnel, anyone wishing to depart the site was allowed to leave, no new personnel were allowed at site, and the final field activities were completed with the remaining site personnel.

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Donlin Gold

Community engagement

As a neighbor to others in the Y-K region and as a team largely made up of people from the area, Donlin Gold strives to aid communities with support and resources, particularly when health and safety are of concern. Donlin Gold is committed to support the needs of its community partners. Donlin Gold continues to make progress in formalizing its community relationships and finding common ground with Shared Value Statements with eight villages from the Y-K region (Akiak, Sleetmute, Napaimute, Crooked Creek, Napaskiak, Nikolai, Tuluksak and Upper Kalskag) that confirm current engagement with key local communities. These agreements include educational, environmental, and social initiatives to help provide support for these villages.

For the 2021 season, Donlin Gold hired employees from 20 Y-K communities. In an area with high unemployment and fewer job choices than in urban environments, the work experience and skills training that Donlin Gold provides is attractive and employees are encouraged to bring their safety knowledge into their home village. Local community involvement in the project is core to both Barrick's and NOVAGOLD's philosophy, and approximately 70% of Donlin Gold direct hires for this year's drill program were Alaska Natives.

Despite the challenges over the last two years, Donlin Gold has expanded community engagement programs and support related to environmental management, safety, training, educational, health and cultural initiatives. In August, Donlin Gold held the fourth annual "In it for the Long Haul" backhaul project with approximately 180,000 pounds of hazardous and electronic waste removed from 26 villages throughout the Y-K region. Multiple entities and tribes came together to assist Y-K Delta region villages with the removal and safe disposal of the waste. Over the last five years, nearly 400,000 pounds of waste has been safely removed that would otherwise end up in landfills, in waterways or in areas harmful to families and children. In the fall of 2021, Donlin Gold entered into a sponsorship agreement with Alaska School Activities Association to underwrite statewide sports. This includes supporting student athletes, musicians, and other activities in the Y-K region and across Alaska.

Donlin Gold also responded to the COVID-19 pandemic by providing aid to local communities with support and resources, particularly when health and safety are of concern. The State of Alaska, Calista, and Donlin Gold worked to send fish from Bristol Bay to the Yukon villages impacted by the closure of the salmon fishery to commercial and subsistence fishing. Donlin Gold assisted with distribution and logistics to deliver fish to more communities on the Yukon River who had been devastated by the dismal numbers of returning salmon to their river. In partnership with the Yukon-Kuskokwim Health Corporation, sent the Calricaraq team to travel to area villages to support residents and families who have lost a loved one to suicide, a heightened challenge in remote villages, especially during the pandemic. Donlin Gold partnered with KSKO Radio to purchase hand-held radios for five middle Kuskokwim villages. This initiative expands the reach of public radio to communities where internet connectivity is severely lacking. Every home will now have an information source for important updates from the Y-K region, to include local news and weather updates.

Environmental

During the 2021 field season at the Donlin Gold project site, there were no spills to water and no spills of greater than 10 gallons to land. There were no spills that required reporting to government agencies. In 2021, Donlin Gold received two administrative Notices of Violation (NOVs): one related to stormwater for failure to file an administrative report in 2019 and failure to train all staff in 2018 even though there was no field program that year, and one under the site's air permit for failure to submit one operating report in 2020. No penalties were issued for either NOV. Also in 2021, ADEC conducted a permit compliance inspection at the site, which yielded no instances of non-compliance for the 2021 field program. Donlin Gold further continued updating its site baseline data, including monitoring water quality and fisheries.

Permitting

The State's Clean Water Act (CWA) Section 401 certification (the "401 Certification") of the Federal CWA Section 404 permit was formally appealed to the Commissioner of the Alaska Department of Environmental Conservation in June 2020, and the ADEC Commissioner referred the appeal to an Administrative Law Judge for review. The appeal focused on three narrow issues related to compliance with the State's water quality standards near the mine site. On April 12, 2021, the Administrative Law Judge issued his opinion for the Commissioner's consideration recommending the 401 Certification be vacated. The Commissioner issued his decision to uphold the 401 Certification on May 27, 2021. The decision was appealed on June 28, 2021 in Alaska's Superior Court by a San Francisco-based activist law firm on behalf of ONC. On December 29, 2021, the Court issued an order remanding the 401 Certification to ADEC for consideration of additional technical information provided by Donlin Gold and dismissing the appeal in Alaska Superior Court without prejudice. The existing 401 Certification remains in effect during the remand period. Based on the remand schedule established by the Court order, ADEC's decision is expected in the second quarter of 2022.

In April 2020, the Alaska Department of Natural Resources' (ADNR) Division of Oil and Gas agreed to reconsider its decision on the State Right-of-Way (ROW) agreement and lease authorization for the buried natural gas pipeline. Under the reconsideration, on

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September 10, 2020, the ADNR issued for additional public comment a revised Consideration of Comments document. This document describes how the ADNR considered public input that was solicited in the ROW review, including how cumulative effects are addressed in the decision. The comment period on the document ended on November 9, 2020. On July 19, 2021, the ADNR Commissioner completed the reconsideration and upheld the ROW agreement and lease authorization. On August 9, 2021, two parties requested that the Commissioner conduct a further reconsideration. The first party was Earthjustice representing ONC, Cook Inletkeeper, and three villages. The second party was an individual who operates an outdoor guiding business around the pipeline route. The Commissioner rejected both further reconsideration requests on August 19, 2021. On September 20, 2021, Earthjustice, representing ONC, Cook Inletkeeper, and three villages, filed an appeal of the State ROW in Alaska Superior Court. An appeal was also filed by the second party in September 2021. The two appeals have been consolidated into a single case that is pending before the Alaska Superior Court based in Anchorage, Alaska. ADNR is currently finalizing the Administrative Record for the ROW issuance for submittal to the Court after which the Court will establish a briefing schedule. We expect a decision on the appeal in the second half of 2022 or the first half of 2023.

In November 2020, the ADNR published an initial public notice for comment on Donlin Gold's 12 applications for water rights for the mine site and transportation facilities, which closed on December 15, 2020. Water rights are for local surface water sources and groundwater to be used for process water, dust control, fire protection, and potable water. In March 2021, the ADNR held a second two-week public notice period, which closed on March 26, 2021. All the final Water Rights were issued on June 29, 2021 by ADNR's Division of Mining Land and Water. In July, they were administratively appealed to the ADNR Commissioner by Earthjustice, ONC, and five villages. We expect a decision on the appeal by the Commissioner in 2022.

Donlin Gold, working with its Native Corporation partners, continues to support the State of Alaska to advance other permits and certificates needed for the project. The field work related to the issuance of the Alaska Dam Safety certificates, which is a multi-year commitment, was temporarily paused to concentrate on the 2020 and 2021 geological drill programs.

Donlin Gold is fortunate to have strong partnerships with Calista and TKC, owners of the mineral and surface rights, respectively. The project's location on private land specially designated for mining activities through the 1971 Alaska Native Claims Settlement Act. Donlin Gold's commitment to meaningful tribal consultation throughout project development and permitting has been proven over decades of reliable and dependable engagement with the community.

Donlin Gold project

The 2021 drilling program included additional confirmation and extension drilling, focusing on further testing, orebody continuity, structural control, and geotechnical and geometallurgical data collection and analysis. In September 2021, Donlin Gold completed the drilling portion of a 79-hole program totaling approximately 24,264 meters in both the ACMA and Lewis deposit areas, including an additional 13 holes and 4,000 meters above the original 2021 plan. Assays were reported for 36 completed holes and 22 partial holes, encompassing 15,700 meters of length drilled. Assay results received to date for the 2021 drill program were disclosed in media releases on September 2 and December 1, 2021. Assays are anticipated to be completed by early 2022.

The newly obtained data will be incorporated into the geologic and resource model and should lead the owners to determine updated mining schedules and life of mine business plans. The focus will then shift to feasibility study work, subject to a formal decision by the Donlin Gold Board, and ultimately, to initiate the engineering work necessary to advance the project design before reaching a construction decision. The owners will advance the Donlin Gold project in a financially disciplined manner with a strong focus on engineering excellence, environmental stewardship, a strong safety culture and continued community engagement.

The Donlin Gold 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 board's approval of a construction program and budget, the receipt of all required governmental permits and approvals, and the availability of financing, commodity price fluctuations, risks related to market events and general economic conditions among other factors, will affect the timing of and whether to develop the Donlin Gold project. Among other reasons, project delays could occur as a result of public opposition, litigation challenging permit decisions, requests for additional information or analysis, limitations in agency staff resources during regulatory review and permitting, project changes made by Donlin Gold, or any impact on operations from COVID-19.

Our share of funding for the Donlin Gold project in 2021 was \$17,587, lower than our planned spending of \$18,000 to \$22,000 primarily due to environmental and community engagement work delayed due to COVID-19 restrictions and drill assay costs carried forward into 2022. In 2022, our share of Donlin Gold funding is expected to be approximately \$30,000, including \$21,000 for follow-up drilling, camp improvements and studies, and \$9,000 for permitting, community engagement and administration.

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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.

Consolidated Financial Results

The details of our *Net loss* are set forth below:

	Years ended November 30,		Change
	2021	2020	
Net loss	\$(40,536)	\$(33,564)	\$(6,972)
Net loss per common share, basic and diluted	\$(0.12)	\$(0.10)	\$(0.02)

Net loss increased by \$6,972 from 2020 to 2021, primarily due to the following:

- Donlin Gold expenses increased by \$2,123, primarily due to higher permitting and legal costs related to appeals filed on various State of Alaska permits and completion of assays from the 2020 drill program in 2021.
- The \$1,475 increase in corporate general and administrative expense is primarily due to \$1,178 higher share-based compensation expense resulting from higher amortization of stock options and performance share units (PSUs). In 2018, the vesting period for stock options and PSUs was increased from two to three years and amortization was adjusted to match the vesting period, deferring a portion of the costs to future periods. Amortization in 2021 and in future periods, includes one third of the cost of each of the previous three years of stock option and PSU grants. Salaries and benefits were \$325 higher due to annual wage increases and payroll taxes on stock option exercises.
- Interest income decreased by \$1,286 due to lower interest rates earned on cash and term deposits, partially offset by higher cash balances due to the receipt of \$75,000 from Newmont on July 27, 2021.
- A \$938 remediation expense adjustment for the historic former New Gold House property in Nome, Alaska.
- Accretion on notes receivable was \$781 lower due to the maturity of the \$75,000 note receivable.
- The \$751 recovery of deferred income taxes in 2020 resulted from the Company's decision to file a consolidated U.S. income tax return for its U.S. subsidiaries commencing with the fiscal year ended November 30, 2020.

The increase in expenses was partially offset by favorable foreign exchange movements of \$270, and a \$200 gain on the sale of our interest in the San Roque mineral property in Argentina.

Liquidity and Capital Resources

Liquidity overview

At present, we believe we have sufficient working capital available to cover anticipated funding of the Donlin Gold project and corporate general and administrative costs until a decision to commence engineering and construction is reached by the Donlin Gold board for the Donlin Gold project, at which point substantial additional capital will be required. Future financings to fund construction are anticipated through debt, equity, project specific debt, and/or other means. Our continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. However, there can be no assurance that we will be successful in our efforts to raise additional capital on terms favorable to us, or at all. For further information, see section *Item 1A, Risk Factors – Our ability to continue the exploration, permitting, development, and construction of the Donlin Gold project, and to continue as a going concern, will depend in part on our ability to obtain suitable financing* contained in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2021.

Our anticipated expenditures in fiscal year 2022 are approximately \$46,000, including \$30,000 to fund the Donlin Gold project, \$13,000 for corporate general and administrative costs, \$2,000 for withholding taxes on share-based compensation and \$1,000 for working capital and other items.

Our financial position includes the following as of November 30, 2021:

- Cash and cash equivalents of \$91,124.
- Term deposits of \$78,000 denominated in U.S. dollars and held at Canadian chartered banks with high investment-grade ratings and have maturities of one year or less.
- Notes receivable of \$25,000 due on the earlier of the completion of a Galore Creek feasibility study or July 27, 2023, and a note for \$75,000 fully contingent upon approval of a Galore Creek project construction plan by the owner(s).

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- Promissory note payable to Barrick of \$115,723, including accrued interest at U.S. prime plus 2%. The promissory note and accrued interest are payable from 85% of the Company's share of revenue from future Donlin Gold project production or from any net proceeds resulting from a reduction of the Company's interest in Donlin Gold.

Cash flows

Our *Consolidated Statements of Cash Flows* are summarized as follows:

	Years ended November 30,		
	2021	2020	Change
Operating activities	\$(9,863)	\$(10,020)	\$157
Funding of Donlin Gold	(17,587)	(15,276)	(2,311)
Proceeds from note receivable	75,000	—	75,000
Net (purchases of) proceeds from term deposits	(17,221)	20,000	(37,221)
Proceeds from sale of mineral property	200	—	200
Withholding tax on share-based compensation	(731)	(1,652)	921
Effect of exchange rate changes on cash and other	420	305	115
Net change in cash and cash equivalents	\$30,218	\$(6,643)	\$36,861

In 2021, the net increase in *Cash and cash equivalents* of \$30,218 primarily resulted from the \$75,000 note proceeds received from Newmont, partially offset by Donlin Gold funding of \$17,587, net investments in term deposits of \$17,221, and corporate operating activities of \$9,863.

Net spending on operating activities decreased by \$157 in 2021 from 2020 primarily due to the timing of corporate liability insurance payments; and COVID-19 resulting in reduced corporate travel, offset by higher salaries and benefits; and lower interest received on cash and term deposits due to lower interest rates.

Donlin Gold funding increased by \$2,311 in 2021 from 2020 primarily due to higher permitting and legal costs due to: legal challenges to the State's CWA Section 401 certification and the State's ROW agreement and lease authorization for the buried natural gas pipeline; and completion of assays from the 2020 drill program in 2021.

Outstanding share data

As of January 19, 2022, the Company had 332,921,907 common shares issued and outstanding. Also, as of January 19, 2022, the Company had: i) a total of 10,278,096 stock options outstanding; 8,866,898 of those stock options with a weighted-average exercise price of \$5.69 and the remaining 1,411,198 with a weighted-average exercise price of C\$7.32; and ii) 1,299,300 PSUs and 315,140 deferred share units (DSUs) outstanding. Upon exercise of the foregoing convertible securities, the Company would be required to issue a maximum of 12,542,186 common shares.

Related party transactions

As of November 30, 2021, the Company has accounts receivable from Donlin Gold of nil (November 30, 2020: \$6) included in *Other current assets*.

Fourth quarter results

During the fourth quarter of 2021, we incurred a net loss of \$10,269 compared to a net loss of \$7,000 for the comparable period in 2020. The increase in net loss primarily resulted from lower accretion income on Newmont notes receivable in 2021, activity at Donlin Gold extended into the fourth quarter of 2021, a provision for remediation of the former New Gold House mineral property near Nome, Alaska in 2021, and the recovery of income taxes in 2020 due to the filing of a consolidated income tax return for U.S. subsidiaries.

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Critical Accounting Policies

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

Contingent note receivable

A portion of the proceeds on the sale of the Company's 50% interest in the Galore Creek project to Newmont, included a contingent note for \$75,000 receivable upon the approval of a Galore Creek project construction plan by the owner(s). The Company has assigned no value to the contingent note receivable as management determined that approval of Galore Creek project construction was not probable as of the closing of the Galore Creek sale, and management's assessment did not change as of November 30, 2021. The contingent note will be recognized only when, in management's judgement, payment is probable, and the amount recorded will not reverse in future periods.

Investment in affiliates

Investments in unconsolidated ventures over which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method and include the Company's investment in the Donlin Gold project. We identified Donlin Gold as a Variable Interest Entity (VIE) as the entity is dependent on funding from its owners. All funding, ownership, voting rights and power to exercise control is shared equally on a 50/50 basis between the owners of the VIE. Therefore, the Company has determined that it is not the primary beneficiary of the VIE. The Company's maximum exposure to loss is its investment in Donlin Gold. Donlin Gold is a non-publicly traded equity investee holding exploration and development projects. The Company reviews and evaluates its investment in affiliates for other than temporary impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Events that could indicate impairment of an investment in affiliates include a significant decrease in long-term expected gold price, a significant increase in expected operating or capital costs, unfavorable exploration results or technical studies, a significant decrease in reserves, a loss of significant mineral claims, or a change in the development plan or strategy for the project. Asset impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. If the underlying assets are not recoverable, an impairment loss is measured and recorded based on the difference between the carrying amount of the investee and its estimated fair value which may be determined using a discounted cash flow model.

Income taxes

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

Share-based compensation

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

We grant members of our board of directors DSUs whereby each DSU entitles the directors to receive one common share of the Company when they retire from service with the Company. The fair value of the DSUs is measured at the date of the grant in amounts ranging from 50% to 100% of directors' annual retainers at the election of the directors. The fair value is recognized in the *Consolidated Statements of Loss* over the related service period.

As of November 30, 2021, we had \$2,496 of unrecognized compensation cost related to 3.36 million non-vested stock options expected to be expensed and vest over a period of approximately two years. Also, as of November 30, 2021, we had 1.583 million non-vested PSU awards outstanding of which 0.800 million were fully expensed and vested on December 1, 2021 with a multiplier of 93%. The remaining 0.783 million non-vested PSU awards with \$3,338 of unrecognized compensation cost will be expensed over a period of approximately two years.

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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.

Notes receivable of \$25 million upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023 are due from a subsidiary of Newmont. Newmont is a publicly traded company with investment-grade credit ratings and has guaranteed the notes receivable.

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 of November 30, 2021, and assuming all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of approximately \$1.2 million in the interest accrued on the promissory note per annum. 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.

NYSE American Option Disclosure

As of December 1, 2020, there were 16,083,584 stock options available for grant pursuant to our 2004 Stock Award Plan, as amended, and as of November 30, 2021, there were 17,991,941 stock options available for grant. No outstanding stock option grants were repriced for any reason during fiscal year 2021.

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Directors, Executive Officers and Corporate Governance

The following sets forth certain information with respect to our directors and executive officers as of November 30, 2021.

Name, Position	Principal Occupation	Principal Business of Employer
Dr. Elaine Dorward-King ⁽¹⁾	Corporate Director	Mining
Sharon Dowdall ⁽¹⁾	Corporate Director	Mining
Dr. Diane Garrett ⁽¹⁾	President and Chief Executive Officer of Hycroft Mining Holding Corporation	Mining
Dr. Thomas Kaplan ⁽¹⁾	Chairman, Chief Executive Officer and Chief Investment Officer of The Electrum Group LLC	Investment advisory and asset management
Gregory Lang ⁽¹⁾⁽²⁾	President and Chief Executive Officer of NOVAGOLD RESOURCES INC.	Mining
Igor Levental ⁽¹⁾	President of The Electrum Group LLC	Investment advisory and asset management
Kalidas Madhavpeddi ⁽¹⁾	Corporate Director	Mining
Clynton Nauman ⁽¹⁾	President and Chief Executive Officer of Alexco Resource Corp.	Mining
Ethan Schutt ⁽¹⁾	Executive Vice President and General Counsel of Bristol Bay Native Corporation	Economic Development
Anthony Walsh ⁽¹⁾	Corporate Director	Mining
David Ottewell ⁽²⁾	Vice President and Chief Financial Officer, NOVAGOLD RESOURCES INC.	Mining

⁽¹⁾ Director of NOVAGOLD RESOURCES INC.

⁽²⁾ Executive officer of NOVAGOLD RESOURCES INC.

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Financial Statements and Supplementary Financial Information

Financial Statements

The Report of Independent Registered Public Accounting Firm and the accompanying consolidated financial statements begin on page 20 below.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report 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, permitting and the timing thereof, 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 the Donlin Gold project;
- 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 retained, 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 the Donlin Gold project; 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 the Donlin Gold project;
- our history of losses and expectation of future losses;
- risks related to our ability to finance the development of the Donlin Gold project 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 coronavirus global health pandemic (COVID-19);

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- risks related to the third parties on which we depend for Donlin Gold project activities;
- dependence on cooperation of joint venture partners in exploration and development of the Donlin Gold project;
- risks related to opposition to our operations at our mineral exploration and development properties from non-governmental organizations or civil society;
- the risk that permits and governmental approvals necessary to develop and operate the Donlin Gold project 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 the inability to develop or access the infrastructure required to construct and operate the Donlin Gold project;
- uncertainty related to title to the Donlin Gold project;
- 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 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 the Donlin Gold project, and related cost increases;
- our need to attract and retain qualified management and technical personnel;
- uncertainty as to the outcome of potential litigation;
- risks related to information technology systems;
- risks related to the Company's status as a "passive foreign investment company" in the United States; and
- risks related to the effects of global climate change on the Donlin Gold project.

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 the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2021, under the heading "Risk Factors" and elsewhere.

Our forward-looking statements contained in this Annual Report are based on the beliefs, expectations and opinions of management as of January 26, 2022. We do not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

Additional Information

Additional information relating to the Company is available on the Company's website at www.novagold.com, on SEDAR at www.sedar.com and on EDGAR at www.sec.gov. The Company will furnish to shareholders, free of charge, a hard copy of the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2021, including the financial statements and financial statement schedules, upon request to Investor Relations at NOVAGOLD RESOURCES INC., 400 Burrard Street, Suite 1860, Vancouver, British Columbia, V6C 3A6, Canada, Telephone 604-669-6227, Toll-Free 866-669-6227, Fax 604-669-6272.

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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of NOVAGOLD RESOURCES INC.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of NOVAGOLD RESOURCES INC. and its subsidiaries (together, the Company) as of November 30, 2021 and 2020, and the related consolidated statements of loss and comprehensive loss, cash flows and equity for each of the three years in the period ended November 30, 2021, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of November 30, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of November 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of November 30, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recognition of the contingent note receivable

As described in Notes 2 and 4 to the consolidated financial statements, on July 27, 2018, the Company sold its interest in the Galore Creek project (the sale). As part of the consideration for the sale, the Company received a \$75 million note (the contingent note receivable), which is contingent upon the approval of a Galore Creek project construction plan by the owner(s). The Company has not assigned a value to the contingent note receivable as management determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale or in subsequent periods. Management's assessment did not change as of November 30, 2021. The contingent note will be recognized when, in management's judgment, it is probable that the payment will occur, and that the amount recorded will not reverse in future periods.

The principal considerations for our determination that performing procedures relating to the recognition of the contingent note receivable is a critical audit matter are the judgment by management when determining if recognition was required, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures and evaluating management's assessment of the probability of whether a Galore Creek project construction plan will be approved.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's assessment of the basis for recognizing the contingent note receivable. These procedures also included, among others, evaluating the reasonableness of management's assessment regarding the probability of the owner(s) of the project approving the Galore Creek project construction plan. This included considering both publicly available information and the latest annual progress report provided by the owner(s) of the project to the Company under the terms of the sale agreement.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, Canada
January 26, 2022

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

NOVAGOLD RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
(US dollars in thousands)

	As of November 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$91,124	\$60,906
Term deposits	78,000	61,000
Notes receivable (Note 4)	—	72,611
Other assets (Note 6)	327	1,869
Current assets	169,451	196,386
Notes receivable (Note 4)	23,572	23,405
Investment in Donlin Gold (Note 5)	3,576	2,614
Other assets (Note 6)	2,253	2,036
Total assets	\$198,852	\$224,441
LIABILITIES		
Accounts payable and accrued liabilities	\$682	\$900
Accrued payroll and related benefits	2,637	2,215
Other liabilities (Note 9)	1,064	394
Current liabilities	4,383	3,509
Promissory note (Note 7)	115,723	109,801
Other liabilities (Note 9)	464	404
Total liabilities	120,570	113,714
Commitments and contingencies (Notes 7 and 8)		
EQUITY		
Common shares		
Authorized – 1,000 million shares, no par value		
Issued and outstanding – 332.4 and 330.4 million shares, respectively		
	1,978,520	1,972,029
Contributed surplus	82,216	81,203
Accumulated deficit	(1,959,165)	(1,918,629)
Accumulated other comprehensive loss	(23,289)	(23,876)
Total equity	78,282	110,727
Total liabilities and equity	\$198,852	\$224,441

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

Approved by the Board of Directors

/s/ Gregory A. Lang

/s/ Anthony P. Walsh

NOVAGOLD RESOURCES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(US dollars in thousands except per share amounts)

	Years ended November 30,		
	2021	2020	2019
Operating expenses:			
General and administrative (Note 12)	\$20,210	\$18,735	\$16,321
Equity loss - Donlin Gold (Note 5)	16,625	14,502	10,491
	<u>36,835</u>	<u>33,237</u>	<u>26,812</u>
Loss from operations	(36,835)	(33,237)	(26,812)
Interest expense on promissory note (Note 7)	(5,922)	(6,014)	(7,286)
Accretion of notes receivable (Note 4)	2,556	3,337	3,220
Other income (expense), net (Note 14)	(198)	1,569	4,395
Loss before income taxes	(40,399)	(34,345)	(26,483)
Income tax (expense) recovery (Note 15)	(137)	781	(1,278)
Net loss	<u>(40,536)</u>	<u>(33,564)</u>	<u>(27,761)</u>
Other comprehensive income (loss):			
Foreign currency translation adjustments	587	932	48
	<u>587</u>	<u>932</u>	<u>48</u>
Comprehensive loss	<u>\$(39,949)</u>	<u>\$(32,632)</u>	<u>\$(27,713)</u>
Net loss per common share – basic and diluted	<u>\$(0.12)</u>	<u>\$(0.10)</u>	<u>\$(0.09)</u>
Weighted average shares outstanding			
Basic and diluted (thousands)	331,546	329,269	325,785

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

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

	Years ended November 30,		
	2021	2020	2019
Operating activities:			
Net loss	\$(40,536)	\$(33,564)	\$(27,761)
Adjustments:			
Equity loss – Donlin Gold	16,625	14,502	10,491
Share-based compensation	8,235	7,057	6,176
Interest expense on promissory note	5,922	6,014	7,286
Remediation expense	938	—	—
Foreign exchange loss (gain)	336	606	(20)
Accretion of notes receivable	(2,556)	(3,337)	(3,220)
Change in fair value of marketable securities	(418)	(431)	(93)
Gain on sale of mineral property	(200)	—	—
Deferred income tax (recovery) expense	—	(751)	671
Other operating adjustments	7	19	15
Net change in operating assets and liabilities (Note 17)	1,784	(135)	328
Net cash used in operating activities	<u>(9,863)</u>	<u>(10,020)</u>	<u>(6,127)</u>
Investing activities:			
Proceeds from term deposits	141,578	81,000	219,000
Purchases of term deposits	(158,799)	(61,000)	(154,000)
Proceeds from note receivable	75,000	—	—
Funding of Donlin Gold	(17,587)	(15,276)	(11,122)
Proceeds from sale of mineral property	200	—	—
Other	—	—	(17)
Net cash provided from investing activities	<u>40,392</u>	<u>4,724</u>	<u>53,861</u>
Financing activities:			
Withholding tax on share-based compensation	(731)	(1,652)	(1,197)
Net cash used in financing activities	<u>(731)</u>	<u>(1,652)</u>	<u>(1,197)</u>
Effect of exchange rate changes on cash and cash equivalents	420	305	8
Net change in cash and cash equivalents	30,218	(6,643)	46,545
Cash and cash equivalents at beginning of year	60,906	67,549	21,004
Cash and cash equivalents at end of year	<u>\$91,124</u>	<u>\$60,906</u>	<u>\$67,549</u>

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

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

	Common shares		Contributed Surplus	Accumulated deficit	AOCL*	Total equity
	Shares	Amount				
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	—	—	6,176	—	—	6,176
Performance share units (PSUs) settled in shares	438	2,737	(2,737)	—	—	—
DSUs settled in shares	32	120	(120)	—	—	—
Stock options exercised	3,937	7,855	(7,855)	—	—	—
Withholding tax on PSUs	—	—	(1,197)	—	—	(1,197)
Net loss	—	—	—	(27,761)	—	(27,761)
Other comprehensive income	—	—	—	—	48	48
November 30, 2019	327,630	\$1,965,573	\$82,254	\$(1,885,065)	\$(24,808)	\$137,954
Share-based compensation	—	—	7,057	—	—	7,057
PSUs settled in shares	410	1,026	(1,026)	—	—	—
Stock options exercised	2,372	5,430	(5,430)	—	—	—
Withholding tax on PSUs	—	—	(1,652)	—	—	(1,652)
Net loss	—	—	—	(33,564)	—	(33,564)
Other comprehensive income	—	—	—	—	932	932
November 30, 2020	330,412	\$1,972,029	\$81,203	\$(1,918,629)	\$(23,876)	\$110,727
Share-based compensation	—	—	8,235	—	—	8,235
PSUs settled in shares	574	1,460	(1,460)	—	—	—
Stock options exercised	1,430	5,031	(5,031)	—	—	—
Withholding tax on PSUs	—	—	(731)	—	—	(731)
Net loss	—	—	—	(40,536)	—	(40,536)
Other comprehensive income	—	—	—	—	587	587
November 30, 2021	332,416	\$1,978,520	\$82,216	\$(1,959,165)	\$(23,289)	\$78,282

* Accumulated other comprehensive loss

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

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

NOTE 1 – THE COMPANY

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Presentation

The Consolidated Financial Statements include the accounts of NOVAGOLD RESOURCES INC. and its wholly-owned subsidiaries NOVAGOLD U.S. Holdings Inc., NOVAGOLD Resources Alaska Inc., NOVAGOLD USA, Inc., and AGC Resources Inc. All inter-company transactions and balances are eliminated on consolidation.

The Consolidated Financial Statements are presented in United States dollars and have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP). The preparation of the Company’s Consolidated Financial Statements in accordance with US GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of expenses during the reporting period. The Company bases its estimates and assumptions on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from the amounts recorded in these Consolidated Financial Statements.

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

Foreign currency

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

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments with original maturities of three months or less, that are considered to be cash equivalents. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Term deposits

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

Contingent note receivable

A portion of the proceeds related to the sale of Galore Creek to Newmont includes a \$75,000 note receivable, contingent upon the approval of a Galore Creek project construction plan by the owner(s). The Company has not assigned a value to the contingent note receivable as management determined that the approval of the Galore Creek project construction was not probable as of the closing of the Galore Creek sale or in subsequent periods. The contingent note will be recognized when, in management’s judgement, it is probable that the payment will occur, and that the amount recorded will not reverse in future periods.

Investment in affiliates

Investments in unconsolidated ventures over which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method and include the Company’s investment in the Donlin Gold project. The Company identified Donlin Gold as a Variable Interest Entity (VIE) as the entity is dependent on funding from its owners. All funding, ownership, voting rights, and power to exercise control is shared equally on a 50/50 basis between the owners of the VIE. Therefore, the Company

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

has determined that it is not the primary beneficiary of the VIE. The Company's maximum exposure to loss is its equity investment in Donlin Gold.

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

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

Income taxes

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

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

Share-based payments

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

Net income (loss) per common share

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

Recently adopted accounting pronouncements

Fair Value Disclosure Requirements

In August 2018, Accounting Standards Update ("ASU") No. 2018-13 was issued to modify and enhance the disclosure requirements for fair value measurements. The Company adopted this standard on December 1, 2020. Adoption of this guidance did not impact the Company's note disclosures.

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

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 5).

NOTE 4 – NOTES RECEIVABLE

Changes in the Company's *Notes receivable* are summarized as follows:

	Years ended November 30,		
	2021	2020	2019
Balance – beginning of period	\$96,016	\$92,679	\$89,459
Accretion of notes receivable	2,556	3,337	3,220
Payment received	(75,000)	—	—
Balance – end of period	<u>\$23,572</u>	<u>\$96,016</u>	<u>\$92,679</u>

Notes receivable consist of:

	As of November 30,	
	2021	2020
Current portion	\$—	\$72,611
Non-current portion	23,572	23,405
	<u>\$23,572</u>	<u>\$96,016</u>

Galore Creek

On July 27, 2018, the Company sold its interest in the Galore Creek project to a subsidiary of Newmont Corporation (“Newmont”) for cash proceeds of \$100,000, a \$75,000 note due upon the earlier of the completion of a Galore Creek pre-feasibility study or July 27, 2021, a \$25,000 note due upon the earlier of the completion of a Galore Creek feasibility study or July 27, 2023, and a contingent note for \$75,000 due upon approval of a Galore Creek project construction plan by the owner(s). The Company received \$75,000 from Newmont on July 27, 2021.

As of November 30, 2021, the carrying value of the \$25,000 note was \$23,572 including \$2,556 of accumulated accretion. The carrying value of the note is being accreted to \$25,000 over five years at a discount rate of 3.6% based on quoted market values for Newmont debt with a similar term.

A contingent note for \$75,000 is due upon approval of a Galore Creek project construction plan by the owner(s). No value was assigned to the final \$75,000 contingent note. The Company determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale. The Company's assessment did not change as of November 30, 2021.

Minas San Roque

On November 3, 2021, the Company sold its 49% interest in the Minas San Roque project in Argentina to Marifil S.A., a subsidiary of International Iconic Gold Mines Ltd. (“Iconic”) for cash proceeds of C\$250 upon closing, a C\$750 note receivable due on November 1, 2022, and a C\$1,000 note receivable due on November 1, 2023. The notes are guaranteed by Iconic. On closing, the Company determined the fair value of the notes was nil. The Company's assessment did not change as of November 30, 2021.

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

NOTE 5 – INVESTMENT IN DONLIN GOLD

The Donlin Gold project is owned and operated by Donlin Gold, a limited liability company in which wholly-owned subsidiaries of NOVAGOLD and Barrick each own a 50% interest. Donlin Gold 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 require the approval of at least a majority of the Donlin Gold board members.

Changes in the Company's *Investment in Donlin Gold* are summarized as follows:

	Years ended November 30,		
	2021	2020	2019
Balance – beginning of period	\$2,614	\$1,840	\$1,209
Share of losses:			
Mineral property expenditures	(16,286)	(14,339)	(10,434)
Depreciation	(300)	(163)	(57)
Accretion	(39)	—	—
	<u>(16,625)</u>	<u>(14,502)</u>	<u>(10,491)</u>
Funding	17,587	15,276	11,122
Balance – end of period	<u>\$3,576</u>	<u>\$2,614</u>	<u>\$1,840</u>

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

	As of November 30,	
	2021	2020
Current assets: Cash, prepaid expenses, and other receivables	\$3,815	\$2,654
Non-current assets: Right-of-use assets, property and equipment	1,417	1,339
Non-current assets: Mineral property	32,615	32,615
Current liabilities: Accounts payable, accrued liabilities and lease obligations	(1,584)	(1,271)
Non-current liabilities: Reclamation and lease obligations	<u>(687)</u>	<u>(723)</u>
Net assets	<u>\$35,576</u>	<u>\$34,614</u>

NOTE 6 – OTHER ASSETS

	As of November 30,	
	2021	2020
Other current assets:		
Accounts and interest receivable	\$302	\$577
Prepaid expenses	25	1,292
	<u>\$327</u>	<u>\$1,869</u>
Other long-term assets:		
Marketable equity securities	\$1,830	\$1,402
Right-of-use assets	396	600
Office equipment	27	34
	<u>\$2,253</u>	<u>\$2,036</u>

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

NOTE 7 – PROMISSORY NOTE

The Company has a promissory note payable to Barrick of \$115,723, comprised of \$51,576 in principal, and \$64,147 in accrued interest at U.S. prime plus 2%. The promissory note resulted from the agreement that led to the formation of Donlin Gold, 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. The carrying value of the promissory note approximates fair value.

Changes in the Company's *Promissory Note* is summarized as follows:

	Years ended November 30,		
	2021	2020	2019
Balance – beginning of period	\$109,801	\$103,787	\$96,501
Interest expense on promissory note	5,922	6,014	7,286
Balance – end of period	<u>\$115,723</u>	<u>\$109,801</u>	<u>\$103,787</u>

NOTE 8 – LEASES

The Company leases office space under non-cancelable operating leases with original lease terms of five years. These leases require monthly lease payments that may be subject to annual increases throughout the lease term. Certain of these leases also include renewal options at the election of the Company to renew or extend the lease for an additional five years. These optional periods have not been considered in the determination of ROU assets or lease liabilities associated with these leases as management did not consider it reasonably certain it would exercise the options. Certain of our leases include payments that vary based on the Company's level of usage and operations. These variable payments are not included within ROU assets and lease liabilities in the Consolidated Balance Sheets. Additionally, short-term leases, which have an initial term of 12 months or less, are not recorded in the Consolidated Balance Sheets.

Lease expenses are included in *General and administrative expense – Office expense* on the Consolidated Statements of Loss and include the following components:

	Years ended November 30,	
	2021	2020
Operating lease cost	\$235	\$216
Variable lease cost	122	120
Short-term lease cost	4	4
	<u>\$361</u>	<u>\$340</u>

Future minimum lease payments under non-cancellable operating leases as of November 30, 2021, were as follows:

2022	\$239
2023	92
2024	93
2025	8
Thereafter	—
Total future minimum lease payments	<u>432</u>
Less: imputed interest	<u>(24)</u>
Total	<u>\$408</u>

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

Other information regarding leases for the year ended November 30, 2021 includes the following:

	Years ended November 30,	
	2021	2020
Cash paid for operating leases	\$235	\$216
Variable lease cost	127	120
Short-term lease cost	5	4
	<u>\$367</u>	<u>\$340</u>
Right-of-use assets obtained in exchange for lease liabilities		\$—
Weighted average remaining lease term (years) – operating leases		2.3
Weighted average discount rate – operating leases		5%

NOTE 9 – OTHER LIABILITIES

	As of November 30,	
	2021	2020
Other current liabilities:		
Remediation liabilities	\$840	\$182
Lease obligations	224	207
Income taxes payable	—	5
	<u>\$1,064</u>	<u>\$394</u>
Other long-term liabilities:		
Remediation liabilities	\$280	—
Lease obligations	184	\$404
	<u>\$464</u>	<u>\$404</u>

NOTE 10 – SHARE CAPITAL

Common shares

The Company is authorized to issue 1,000,000,000 common shares without par value, of which 332,415,547 were issued and outstanding as of November 30, 2021, and 330,411,589 were issued and outstanding as of November 30, 2020.

Preferred shares

Pursuant to the Company's Notice of Articles filed under the Business Corporations Act (British Columbia), the Company is authorized to issue 10,000,000 preferred shares without par value. The authorized but unissued preferred shares may be issued in designated series from time to time by one or more resolutions adopted by the Directors. The Directors have the authority to determine the preferences, limitations, and relative rights of each series of preferred shares. As of November 30, 2021 and 2020, no preferred shares were issued or outstanding.

NOTE 11 – FAIR VALUE ACCOUNTING

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

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

The Company's financial instruments consist of cash and cash equivalents, term deposits, accounts receivable, and accounts payable and accrued liabilities. The fair value of the Company's financial instruments approximates their carrying value due to the short-term nature of their maturity. The Company's financial instruments initially measured at fair value and then held at amortized cost

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

include cash and cash equivalents, term deposits, accounts receivable, and accounts payable and accrued liabilities. The Company's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities was \$1,830 as of November 30, 2021 (\$1,402 as of November 30, 2020), calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

NOTE 12 – GENERAL AND ADMINISTRATIVE

	Years ended November 30,		
	2021	2020	2019
Share-based compensation (Note 13)	\$8,235	\$7,057	\$6,176
Salaries and benefits	6,599	6,274	5,904
Office expense	2,544	2,199	2,311
Professional fees	1,849	2,139	972
Corporate communications and regulatory	976	1,059	943
Depreciation	7	7	15
	<u>\$20,210</u>	<u>\$18,735</u>	<u>\$16,321</u>

NOTE 13 – SHARE-BASED COMPENSATION

Share incentive awards include a stock option plan for directors, executives, employees and eligible consultants, a PSU plan for executives, employees, and eligible consultants and a DSU plan for non-executive directors of the Company. Options granted to purchase common shares have exercise prices not less than the fair market value of the underlying share at the date of grant. As of November 30, 2021, 29,399,000 common shares were available for future share incentive plan awards under all three plans.

The Company recognized share-based compensation expense (see *Note 12 - General and administrative*) as follows:

	Years ended November 30,		
	2021	2020	2019
Stock options	\$4,721	\$4,309	\$3,694
Performance share unit plan	3,278	2,547	2,320
Deferred share unit plan	236	201	162
	<u>\$8,235</u>	<u>\$7,057</u>	<u>\$6,176</u>

Stock options

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

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

A summary of stock options outstanding as of November 30, 2021, and activity during the year ended November 30, 2021 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, 2020	10,403	\$4.59		
Granted	1,254	9.91		
Exercised	(3,055)	4.46		
November 30, 2021	<u>8,602</u>	<u>\$5.43</u>	<u>2.17</u>	<u>\$16,318</u>
Vested and exercisable as of November 30, 2021	<u>5,242</u>	<u>\$4.24</u>	<u>1.56</u>	<u>\$13,512</u>

The following table summarizes other stock option-related information:

	Years ended November 30,		
	2021	2020	2019
Weighted-average assumptions used to value stock option awards:			
Expected volatility	47.2%	46.1%	46.9%
Expected term of options (years)	4	4	4
Expected dividend rate	—	—	—
Risk-free interest rate	0.3%	1.5%	2.7%
Expected forfeiture rate	3.0%	3.1%	3.1%
Weighted-average grant-date fair value	\$3.63	\$2.70	\$1.46
Intrinsic value of options exercised	\$12,543	\$24,137	\$20,527
Cash received from options exercised	\$—	\$—	\$—

As of November 30, 2021, the Company had \$2,496 of unrecognized compensation cost related to 3,360,000 non-vested stock options expected to be expensed and vest over a period of approximately two years.

Performance share units

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

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

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A summary of PSU awards outstanding and activity during the year ended November 30, 2021 are as follows:

	Number of PSU awards (thousands)	Weighted- average grant day fair value per award	Aggregate intrinsic value
November 30, 2020	1,684	\$4.59	
Granted	331	10.07	
Vested	(648)	3.85	
Performance adjustment	216	3.85	
November 30, 2021	<u>1,583</u>	<u>\$5.94</u>	<u>\$6,815</u>

As of November 30, 2021, the Company had 1,583,100 non-vested PSU awards outstanding of which 800,500 were fully expensed and vested on December 1, 2021 with a multiplier of 93%. The remaining 782,600 non-vested PSU awards with \$3,338 of unrecognized compensation cost will be expensed over a period of approximately two years.

The following table summarizes other PSU-related information:

	Years ended November 30,		
	2021	2020	2019
Performance multiplier on PSUs vested	150%	150%	82%
Common shares issued (thousands)	574	410	438
Total fair value of common shares issued	\$5,723	\$2,855	\$1,607
Withholding tax paid on PSUs vested	\$731	\$1,652	\$1,197

Deferred share units

The Company has a DSU plan that provides for the issuance of DSUs in amounts where the Directors receive half of their annual retainer in DSUs and have the option to elect to receive all or a portion of the other half of their annual retainer in DSUs. Each DSU entitles the Directors to receive one common share when they retire from the Company. The Company granted 25,957, 21,602 and 35,851 DSUs to Directors with a weighted-average grant day fair value of \$8.86, \$9.07, and \$4.40 per DSU during 2021, 2020 and 2019, respectively. The Company issued nil, nil, and 31,721 common shares under the DSU plan in 2021, 2020 and 2019, respectively. As of November 30, 2021, there were 306,321 DSUs outstanding.

NOTE 14– OTHER INCOME (EXPENSE), NET

	Years ended November 30,		
	2020	2020	2019
Interest income	\$458	\$1,744	\$4,190
Change in fair market value of marketable securities	418	431	93
Foreign exchange (loss) gain	(336)	(606)	20
Remediation expense	(938)	—	—
Other income	200	—	92
	<u>\$(198)</u>	<u>\$1,569</u>	<u>\$4,395</u>

NOTE 15 – INCOME TAXES

The Company's statutory tax rate is 27% and is expected to remain at this amount until 2024.

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The Company's *Income tax (recovery) expense* consisted of:

	Years ended November 30,		
	2021	2020	2019
Current:			
Canada	\$110	\$—	\$—
Foreign	27	(30)	607
	<u>\$137</u>	<u>(30)</u>	<u>607</u>
Deferred:			
Canada	—	—	—
Foreign	—	(751)	671
	<u>—</u>	<u>(751)</u>	<u>671</u>
Income tax expense (recovery)	<u>\$137</u>	<u>\$(781)</u>	<u>\$1,278</u>

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

	Years ended November 30,		
	2021	2020	2019
Canada	\$(17,723)	\$(16,447)	\$(12,584)
Foreign	(22,676)	(17,898)	(13,899)
	<u>\$(40,399)</u>	<u>\$(34,345)</u>	<u>\$(26,483)</u>

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

	Years ended November 30,		
	2021	2020	2019
Loss before income taxes and other items	\$(40,399)	\$(34,345)	\$(26,483)
Combined federal and provincial statutory tax rate	27%	27%	27%
Income tax recovery based on statutory income tax rates	(10,908)	(9,273)	(7,150)
Reconciling items:			
Non-deductible expenditures	2,483	1,911	2,136
Foreign accrual property income	771	652	180
Effect of consolidated return for U.S. subsidiaries	—	(751)	—
Effect of different statutory tax rates on earnings or losses of subsidiaries	(323)	(2)	(658)
Change in valuation allowance on deferred tax assets	8,115	6,638	6,773
Other	(1)	44	(3)
Income tax (recovery) expense	<u>\$137</u>	<u>\$(781)</u>	<u>\$1,278</u>
Effective tax rate	(0.3)%	2.3%	(4.8)%

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

	As of November 30,	
	2021	2020
Deferred tax income assets:		
Net operating loss carry forwards	\$184,833	\$183,422
Capital loss carry forwards	50,969	49,307
Mineral properties	663	654
Intangible assets	491	484
Property and equipment	207	203
Investment in affiliates	38,931	35,933
Unpaid interest expense	2,105	2,105
Unrealized loss on investments	265	316
Asset retirement obligation	318	52
Other	980	633
	<u>279,762</u>	<u>273,109</u>
Valuation allowances	<u>(278,790)</u>	<u>(271,016)</u>
	<u>972</u>	<u>2,093</u>
Deferred income tax liabilities:		
Notes receivable	(701)	(1,975)
Capitalized assets and other	<u>(271)</u>	<u>(118)</u>
	<u>(972)</u>	<u>(2,093)</u>
Net deferred income tax assets (liabilities)	<u>\$—</u>	<u>\$—</u>

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

Year of Expiry	U.S.	Canada
2024	\$1,032	\$—
2025	1,246	—
2026	13,382	19,426
2027	18,493	1,886
2028	85	—
2029	11,223	12,226
2030	10,916	16,269
2031	16,580	16,191
2032	309,772	19,759
2033	14,529	14,911
2034	15,607	10,728
2035	16,383	9,797
2036	14,764	9,641
2037	14,111	6,410
2038	—	6,115
2039	—	2,576
2040	—	3,545
2041	—	6,523
Indefinite	43,777	—
	<u>\$501,900</u>	<u>\$156,003</u>

U.S. net operating losses arising in tax years ending after December 31, 2017 can be carried over to each taxable year following the tax year of loss (indefinitely). The Company has capital loss carry-forwards of approximately \$377,550 (November 30, 2020: \$364,799) for Canadian tax purposes. These tax losses are carried forward indefinitely.

Future use of U.S. loss carry-forwards is subject to certain limitations under provisions of the Internal Revenue Code including limitations subject to Section 382, which relates to a 50% change in control over a three-year period and are further dependent upon the Company attaining profitable operations. Ownership changes occurred on January 22, 2009 and on December 31, 2012 and the U.S. tax

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losses related to NOVAGOLD Resources Alaska Inc. and its investment in Donlin Gold for the prior three-year periods prior to the change in control may be subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited or they may expire un-utilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax asset. Significant pieces of objective negative evidence evaluated included the cumulative loss incurred as of November 30, 2021. Such objective evidence limits the ability to consider other subjective evidence such as management's projections for future growth. On the basis of this evaluation, as of November 30, 2021, a valuation allowance of \$278,790 (November 30, 2020: \$271,016), has been recorded in order to measure only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable; however, could be adjusted if estimates of future taxable income during the carry forward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as management's projections for growth.

Uncertain tax position

There were no uncertain tax positions as of November 30, 2021, 2020 and 2019. The Company recognizes any interest and penalties related to uncertain tax positions, if any, as income tax expense. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheet. As of November 30, 2021, 2020 and 2019, there were no accrued interest and penalties related to uncertain tax positions. The Company is subject to income taxes in Canada and the United States. With few exceptions, the tax years that remain subject to examination as of November 30, 2021, are 2017 to 2021 in Canada and 2018 to 2021 in the United States.

NOTE 16 – RELATED PARTY TRANSACTIONS

As of November 30, 2021, the Company has accounts receivable from Donlin Gold of nil (November 30, 2020: \$6) included in *Other current assets*.

NOTE 17 – NET CHANGE IN OPERATING ASSETS AND LIABILITIES

	Years ended November 30,		
	2021	2020	2019
Changes in operating assets and liabilities:			
Other assets	\$1,605	\$(65)	\$646
Accounts payable and accrued liabilities	(240)	(137)	84
Accrued payroll and related benefits	419	67	(402)
	<u>\$1,784</u>	<u>\$(135)</u>	<u>\$328</u>

NOTE 18 – SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended November 30,		
	2021	2020	2019
Interest received	\$1,024	\$2,265	\$3,094
Income taxes paid	\$142	\$376	\$692