

NOVAGOLD RESOURCES INC  
Form SUPPL  
March 05, 2010

---

**Filed pursuant to General Instruction II. L. of Form F-10  
File No. 333- 163551**

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

*This prospectus supplement (the **Prospectus Supplement** ), together with the short form base shelf prospectus dated December 30, 2009 (the **Base Shelf Prospectus** ) to which it relates, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference in the Base Shelf Prospectus, constitutes a public offering of securities offered pursuant hereto only in the jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

***Information has been incorporated by reference in the Base Shelf Prospectus from documents filed with securities commissions or similar authorities in Canada.***

*Copies of the documents incorporated by reference may be obtained on request without charge from the Corporate Secretary of NovaGold Resources Inc. at Suite 2300, 200 Granville Street, Vancouver, British Columbia, Canada, V6C 1S4, telephone: (604) 669-6227 and are available electronically at [www.sedar.com](http://www.sedar.com)*

**PROSPECTUS SUPPLEMENT  
To a Short Form Base Shelf Prospectus dated December 30, 2009**

*New Issue*

**March 4, 2010**

**NOVAGOLD RESOURCES INC.**

**US\$99,999,999**

**18,181,818 Common Shares**

This Prospectus Supplement qualifies the distribution of 18,181,818 common shares (the **Common Shares** ) of NovaGold Resources Inc. ( **NovaGold** or the **Company** ) at a price of US\$5.50 per Common Share (the **Offering** ). The Common Shares will be issued and sold by the Company directly to one or more investment funds managed by Paulson & Co. Inc. ( **Paulson** ) pursuant to a subscription agreement dated March 4, 2010, between the Company and Paulson, on behalf of such funds. The closing of the Offering is expected to occur on or about March 9, 2010.

The Common Shares of the Company are posted for trading on the Toronto Stock Exchange (the **TSX** ) and the NYSE Amex LLC ( **NYSE AMEX** ) under the symbol **NG** . On March 3, 2010, the closing price of the Common Shares on the TSX was CDN\$6.30 per Common Share and the closing price on NYSE AMEX was US\$6.09 per Common Share.

Application has been made to list the Common Shares on the TSX and NYSE AMEX.

**PRICE: US\$5.50 PER  
COMMON SHARE**

	<b>Price to Public</b>	<b>Proceeds to Company<sup>(1)</sup></b>
Per Common Share:	US\$5.50	US\$5.50
Total:	US\$99,999,999	US\$99,999,999

Note:

- (1) Assuming all 18,181,818 Common Shares are issued pursuant to the Offering and before deducting expenses of the Offering, which are estimated to be US\$250,000 and which will be paid from the proceeds of the Offering
-

No underwriter has been involved in the preparation of, or has performed any review of, this Prospectus Supplement or the Base Shelf Prospectus. No offers have been made and none of the purchasers are resident in Canada. See Plan of Distribution .

Investing in Common Shares of NovaGold Resources Inc. ( NovaGold or the Company ) involves risks. See Risk Factors in this Prospectus Supplement and beginning on page 29 of the Base Shelf Prospectus.

The Offering is made by a Canadian issuer that is permitted, under a multi-jurisdictional disclosure system adopted by the United States and Canada, to prepare this Prospectus Supplement and the Base Shelf Prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements incorporated by reference in the Base Shelf Prospectus have been prepared in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.

Prospective investors should be aware that the acquisition of common shares may have tax consequences both in the United States and in Canada. Prospective investors should read the tax discussion in the Base Shelf Prospectus beginning on page 53 and consult their own tax adviser with respect to their own particular circumstances. The Base Shelf Prospectus may not describe these tax consequences fully.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company is incorporated under the laws of Nova Scotia, Canada, that some or all of its officers and directors are residents of Canada, that some or all of the experts named in this Prospectus Supplement and the Base Shelf Prospectus are residents of a foreign country, and that a substantial portion of the assets of the Company and said persons are located outside of the United States.

Neither the United States Securities and Exchange Commission (the SEC ) nor any state or provincial securities regulator has approved or disapproved of these securities or determined if this Prospectus Supplement and the Base Shelf Prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

(ii)

---

**TABLE OF CONTENTS**  
**PROSPECTUS SUPPLEMENT**

	Page
<b><u>GENERAL MATTERS</u></b>	<b><u>S-1</u></b>
<b><u>CURRENCY AND FINANCIAL STATEMENT PRESENTATION</u></b>	<b><u>S-1</u></b>
<b><u>CAUTIONARY NOTE TO UNITED STATES INVESTORS</u></b>	<b><u>S-1</u></b>
<b><u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u></b>	<b><u>S-2</u></b>
<b><u>EXCHANGE RATE INFORMATION</u></b>	<b><u>S-3</u></b>
<b><u>RISK FACTORS</u></b>	<b><u>S-5</u></b>
<b><u>RECENT DEVELOPMENTS</u></b>	<b><u>S-5</u></b>
<b><u>DOCUMENTS INCORPORATED BY REFERENCE</u></b>	<b><u>S-6</u></b>
<b><u>USE OF PROCEEDS</u></b>	<b><u>S-7</u></b>
<b><u>CONSOLIDATED CAPITALIZATION</u></b>	<b><u>S-7</u></b>
<b><u>PLAN OF DISTRIBUTION</u></b>	<b><u>S-8</u></b>
<b><u>PRIOR SALES</u></b>	<b><u>S-8</u></b>
<b><u>PRICE RANGE AND TRADING VOLUME</u></b>	<b><u>S-11</u></b>
<b><u>LEGAL MATTERS</u></b>	<b><u>S-11</u></b>
<b><u>AUDITORS, REGISTRAR AND TRANSFER AGENT</u></b>	<b><u>S-11</u></b>
<b><u>INTEREST OF EXPERTS</u></b>	<b><u>S-12</u></b>

**PROSPECTUS**

<b><u>CAUTIONARY NOTE TO UNITED STATES INVESTORS</u></b>	<b><u>3</u></b>
<b><u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u></b>	<b><u>4</u></b>
<b><u>EXCHANGE RATE INFORMATION</u></b>	<b><u>5</u></b>
<b><u>THE COMPANY</u></b>	<b><u>6</u></b>
<b><u>RISK FACTORS</u></b>	<b><u>29</u></b>
<b><u>USE OF PROCEEDS</u></b>	<b><u>40</u></b>
<b><u>EARNINGS COVERAGE</u></b>	<b><u>40</u></b>
<b><u>DIVIDEND POLICY</u></b>	<b><u>41</u></b>
<b><u>CONSOLIDATED CAPITALIZATION</u></b>	<b><u>41</u></b>
<b><u>MANAGEMENT</u></b>	<b><u>41</u></b>
<b><u>DESCRIPTION OF SHARE CAPITAL</u></b>	<b><u>44</u></b>
<b><u>DESCRIPTION OF DEBT SECURITIES</u></b>	<b><u>44</u></b>
<b><u>DESCRIPTION OF WARRANTS</u></b>	<b><u>51</u></b>
<b><u>DESCRIPTION OF SHARE PURCHASE CONTRACTS AND SHARE PURCHASE OR EQUITY UNITS</u></b>	<b><u>52</u></b>
<b><u>DENOMINATIONS, REGISTRATION AND TRANSFER</u></b>	<b><u>52</u></b>
<b><u>PLAN OF DISTRIBUTION</u></b>	<b><u>53</u></b>
<b><u>CANADIAN FEDERAL INCOME TAX CONSIDERATIONS</u></b>	<b><u>53</u></b>
<b><u>CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS</u></b>	<b><u>55</u></b>
<b><u>LEGAL MATTERS</u></b>	<b><u>64</u></b>
<b><u>AUDITORS, TRANSFER AGENT AND REGISTRAR</u></b>	<b><u>64</u></b>
<b><u>INTEREST OF EXPERTS</u></b>	<b><u>64</u></b>
<b><u>DOCUMENTS INCORPORATED BY REFERENCE</u></b>	<b><u>65</u></b>
<b><u>DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT</u></b>	<b><u>66</u></b>
<b><u>ADDITIONAL INFORMATION</u></b>	<b><u>66</u></b>
<b><u>ENFORCEABILITY OF CIVIL LIABILITIES</u></b>	<b><u>67</u></b>

## GENERAL MATTERS

This document is in two parts. The first part is the Prospectus Supplement, which describes the terms of the Offering and adds to and updates information contained in the Base Shelf Prospectus and the documents incorporated by reference therein. The second part is the Base Shelf Prospectus, which gives more general information, some of which may not apply to the Offering. This Prospectus Supplement is deemed to be incorporated by reference into the Base Shelf Prospectus solely for the purpose of this Offering.

**You should rely only on the information contained in this Prospectus Supplement or contained in or incorporated by reference into the Base Shelf Prospectus. The Company has not authorized anyone to provide you with different information. The Company is not making an offer of these Common Shares in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Prospectus Supplement or the Base Shelf Prospectus is accurate as of any date other than the date on the front of this Prospectus Supplement.**

**Unless the context otherwise requires, references in this Prospectus Supplement to NovaGold, the Company or the terms we, us and our includes NovaGold Resources Inc. and each of its material subsidiaries.**

## CURRENCY AND FINANCIAL STATEMENT PRESENTATION

Unless stated otherwise or the context otherwise requires, all references to dollar amounts in this Prospectus Supplement are references to Canadian dollars. References to \$ or CDN\$ are to Canadian dollars and references to US\$ are to U.S. dollars. See Exchange Rate Information. The Company's financial statements that are incorporated by reference into the Base Shelf Prospectus have been prepared in accordance with generally accepted accounting principles in Canada, and the financial statements for the year ended November 30, 2009 are reconciled to generally accepted accounting principles in the United States as described in note 18 to the Company's audited consolidated annual financial statements for such fiscal year.

## CAUTIONARY NOTE TO UNITED STATES INVESTORS

This Prospectus Supplement and the Base Shelf Prospectus have been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all reserve and resource estimates included in the Base Shelf Prospectus have been prepared in accordance with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) and the Canadian Institute of Mining and Metallurgy Classification System. NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. NI 43-101 permits the disclosure of an historical estimate made prior to the adoption of NI 43-101 that does not comply with NI 43-101 to be disclosed using the historical terminology if the disclosure: (a) identifies the source and date of the historical estimate; (b) comments on the relevance and reliability of the historical estimate; (c) states whether the historical estimate uses categories other than those prescribed by NI 43-101, and (d) includes any more recent estimates or data available.

Canadian standards, including NI 43-101, differ significantly from the requirements of the SEC, and reserve and resource information contained in or incorporated by reference into the Base Shelf Prospectus may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term resource does not equate to the term reserves. Under U.S. standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion of information concerning measured mineral resources, indicated mineral resources or inferred mineral resources or other descriptions of the amount of mineralization in mineral deposits that do not constitute reserves by U.S. standards in documents filed with the SEC. U.S. investors should also understand that inferred mineral resources

have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimated inferred mineral resources may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of contained ounces in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute reserves by SEC standards as in place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of reserves are also not the same as those of the SEC, and reserves reported by NovaGold in compliance with NI 43-101 may not qualify as reserves under SEC standards. Accordingly, information concerning mineral deposits contained in or incorporated by reference into the Base Shelf Prospectus may not be comparable with information made public by companies that report in accordance with United States standards.

S-1

---

See Preliminary Notes - Glossary and Defined Terms in the Company's Annual Information Form for the fiscal year ended November 30, 2009, dated February 17, 2010 (the AIF), which is incorporated by reference into the Base Shelf Prospectus, for a description of certain of the mining terms used in the Base Shelf Prospectus and the documents incorporated by reference therein.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus Supplement, the Base Shelf Prospectus and the documents incorporated by reference therein contain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and forward-looking information within the meaning of Canadian securities laws concerning the Company's plans at the Galore Creek, Donlin Creek, Nome Operations and Ambler projects, production, capital, operating and cash flow estimates and other matters. 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 reserve and 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, using words or phrases such as expects, anticipates, plans, estimates, intends, strategy, goals, objectives or stating that certain or results may, could, would, might or will be taken, occur or be achieved, or the negative of any of these terms or similar expressions) are not statements of historical fact and may be forward-looking statements. 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 expressed or implied by the forward-looking statements, including, without limitation:

#### *Risks relating to the Offering*

- the volatility of the price of NovaGold's common shares;
- the possibility of dilution to current shareholders as the result of the issuances of common shares pursuant to future equity financings; and
- the discretion of management concerning the use of proceeds of the Offering.

#### *Risks relating to the Company's business*

- uncertainty of whether there will ever be production at the Company's mineral exploration and development properties;
- risks related to the Company's ability to commence production and generate material revenues or obtain adequate financing for its planned exploration and development activities;
- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- risks related to the third parties on which the Company depends for its exploration activities;
- risks related to the Company's ability to finance the development of its mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;
- credit, liquidity, interest rate and currency risks;
- risks related to governmental regulation and permits, including environmental regulation;
- the risk that permits and governmental approvals necessary to develop and operate mines on the Company's properties will not be available on a timely basis or at all;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;
- commodity price fluctuations;
- risks related to the Company's current practice of not using hedging arrangements;
- risks related to market events and general economic conditions;

- uncertainties relating to the assumptions underlying the Company's resource and reserve estimates;

S-2

---



- risks related to the need for reclamation activities on the Company's properties and uncertainty of cost estimates related thereto;
- 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;
- uncertainty related to unsettled aboriginal rights and title in British Columbia;
- uncertainty related to title to the Company's mineral properties;
- the Company's history of losses and expectation of future losses;
- risks related to the integration of potential new acquisitions into the Company's existing operations;
- uncertainty as to the outcome of litigation pending against the Company;
- uncertainty inherent in litigation including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal;
- the possibility of an event of default under the Company's unsecured senior convertible notes which may significantly reduce the Company's liquidity and adversely affect the Company's business;
- the significant influence of the Company's majority shareholder;
- the Company's need to attract and retain qualified management and technical personnel;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- increased competition in the mining industry;
- uncertainty as to the Company's ability to acquire additional commercially mineable mineral rights;
- uncertainty as to the Company's ability to maintain the adequacy of internal control over financial reporting as per the requirements of the *Sarbanes-Oxley Act*;
- risks related to the success of U.S. investors bringing actions and enforcing judgments under U.S. Securities Laws.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this Prospectus Supplement and the accompanying Base Shelf Prospectus under the heading "Risk Factors" and elsewhere in this Prospectus Supplement, the accompanying Base Shelf Prospectus and in the documents incorporated by reference herein and therein. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does 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.

### EXCHANGE RATE INFORMATION

The following table sets forth (i) the rate of exchange for the Canadian dollar, expressed in U.S. dollars, in effect at the end of the periods indicated; (ii) the average exchange rates for the Canadian dollar, on the last day of each month during such periods; and (iii) the high and low exchange rates for the Canadian dollar, expressed in U.S. dollars, during such periods, each based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into U.S. dollars:

	Year Ended November 30,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	US\$	US\$	US\$
Rate at end of period	0.9494	0.8115	1.0063
Average rate based on last day each month	0.8640	0.9545	0.9205
High for period	0.9716	1.0289	1.0905
Low for period	0.7692	0.7726	0.8437

On March 3, 2010, the exchange rate based on the Bank of Canada noon rate was \$1.00 per US\$0.9721.

S-4

---

## **RISK FACTORS**

An investment in the Common Shares offered hereby involves certain risks. In addition to the other information contained in this Prospectus Supplement, the accompanying Base Shelf Prospectus and the documents incorporated by reference therein, prospective investors should carefully consider the factors set out below and under the heading "Risk Factors" in the Base Shelf Prospectus and in the Company's AIF, which is incorporated by reference into the Base Shelf Prospectus.

### ***Common Share Price Volatility***

Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also likely to be significantly affected by short-term changes in commodity prices, other precious metal prices or other mineral prices, currency exchange fluctuations, financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to the performance of the Company that may have an effect on the price of the securities of the Company include the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company; and the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; If an active market for the securities of the Company does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Company may decline below the price of the Offering. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long-term value of the Company.

### ***Dilution from Further Equity Financings***

In order to finance future operations, the Company may raise funds through the issuance of common shares or the issuance of debt instruments or other securities convertible into common shares. The Company cannot predict the size of future issuances of common shares or the size and terms of future issuances of debt instruments or other securities convertible into common shares or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the common shares. Any transaction involving the issuance of previously authorized but unissued shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective security holders.

### ***Discretion in the Use of Proceeds***

Management will have discretion concerning the use of the proceeds of the Offering as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

### ***Certain U.S. Tax Considerations Applicable to an Investment in Common Shares***

Prospective purchasers of Common Shares who are U.S. taxpayers should consider that the Company could be considered to be a passive foreign investment company (PFIC) for U.S. federal income tax purposes. Although the Company believes it was not a PFIC for 2009 and does not expect to become a PFIC in 2010 or in the foreseeable future, the tests for determining PFIC status depend upon a number of factors, some of which are beyond the Company's control and can be subject to uncertainties. Thus, the Company cannot assure any holder that it will not be

a PFIC during the time in which such holder holds Common Shares. The Company undertakes no obligation to advise holders of its Common Shares as to its PFIC status for any year, except as discussed under CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS in the Base Shelf Prospectus. For a more complete discussion of the consequences of owning and disposing of shares in a PFIC as well as certain elections that may be available to mitigate such consequences, please see CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS in the Base Shelf Prospectus.

SA-5

---

## RECENT DEVELOPMENTS

NovaGold announced on March 4, 2010 that Donlin Creek LLC ( DCLLC ) and Calista Corporation ( Calista ) have approved certain amendments to the lease for subsurface and surface rights entered into between them in connection with the Donlin Creek property as described at page 9 of NovaGold's AIF. The existing lease covers the subsurface rights for the entire Donlin Creek mineral reserves and resources. Among other things, these amendments provide for (i) the lease of certain additional lands that may be required for the development of the property, (ii) an extension of the term of the lease to April 30, 2031 and automatically year to year thereafter, so long as either mining or processing operations are carried out on or with respect to the property in good faith on a continuous basis in such year, or DCLLC pays to Calista an advanced minimum royalty of US\$3,000,000 (subject to adjustment for increases in the Consumer Price Index) for such year, (iii) the elimination of Calista's option to acquire a 5% to 15% participating operating interest in the project and replacement with the payment to Calista of a net proceeds royalty equal to 8% of the net proceeds realized by DCLLC at the project after deducting certain capital and operating expenses (including an overhead charge, actual interest expenses incurred on borrowed funds and a 10% per annum deemed interest rate on investments not made with borrowed funds), and (iv) an increase in the advanced minimum royalties payable to Calista under the lease to US\$500,000 for the year ending April 30, 2010, increasing on an annual basis thereafter until reaching US\$1,000,000 for each of the years 2015 to 2024 inclusive and US\$2,000,000 for each of the years 2025 to 2030 inclusive. All advance minimum royalties paid to Calista continue to be recoverable as a credit against Calista's existing net smelter royalty under the lease agreement, which remains unchanged. It is anticipated that the parties will execute the amendment agreement shortly.

On February 16, 2010 the Company announced that it entered into a memorandum of understanding to settle outstanding securities class action lawsuits in both the United States and Canada, in which NovaGold and certain of its directors and officers were named as defendants. On December 22, 2008, a consolidated class action lawsuit was filed in the United States District Court for the Southern District of New York consolidating similar complaints of violations of U.S. Securities laws. On October 14, 2009, a similar notice of action was filed in the Ontario Superior Court of Justice in Canada and on October 28, 2009, the same parties were named as defendants in a class action lawsuit in the Supreme Court of British Columbia. All three actions alleged misrepresentations, misstatements and omissions in various public statements and filings concerning NovaGold's Galore Creek Property. The settlement will be covered by NovaGold's insurance, and the Company does not anticipate having to pay out any of its cash under the terms of the settlement. The memorandum of understanding is subject to agreement on formal documentation and both U.S. and Canadian court approval after public notice.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus Supplement is deemed to be incorporated by reference into the Base Shelf Prospectus solely for the purposes of this Offering. Other documents are also incorporated, or are deemed to be incorporated, by reference into the Base Shelf Prospectus and reference should be made to the Base Shelf Prospectus for full particulars thereof.

The following documents that have been filed by the Company with securities commissions or similar authorities in Canada, are also specifically incorporated by reference into, and form an integral part of, the Base Shelf Prospectus, as supplemented by this Prospectus Supplement:

- (a) the AIF;
- (b) audited comparative consolidated financial statements of the Company for the years ended November 30, 2009 and 2008 together with the notes thereto and the auditors' report thereon, including management's discussion and analysis for the year ended November 30, 2009;
- (c) management information circular of the Company dated April 23, 2009 prepared in connection with the Company's annual and special meeting of shareholders held on May 26, 2009;

- (d) material change report, dated December 10, 2009, announcing the filing of the preliminary short form base shelf prospectus dated December 7, 2009;
- (e) material change report, dated January 7, 2010 announcing the appointment of a senior advisor, an update on the Company's projects, and a table showing updated reserve and resource estimates; and
- (f) material change report, dated March 3, 2010 announcing the entering into of a memorandum of understanding to settle outstanding class action lawsuits.

SC-6

---

**Any material change reports (excluding confidential material change reports), any interim and annual consolidated financial statements and related management discussion and analysis, information circulars (excluding those portions that, pursuant to National Instrument 44-101 of the Canadian Securities Administrators, are not required to be incorporated by reference herein), any business acquisition reports, any news releases or public communications containing financial information about the Company for a financial period more recent than the periods for which financial statements are incorporated herein by reference, and any other disclosure documents required to be filed pursuant to an undertaking to a provincial or territorial securities regulatory authority that are filed by the Company with various securities commissions or similar authorities in Canada after the date of this Prospectus Supplement and prior to the termination of the Offering, shall be deemed to be incorporated by reference in the Base Shelf Prospectus. In addition, to the extent that any document or information incorporated by reference into the Base Shelf Prospectus is included in any report on Form 6-K, Form 40-F, Form 20-F, Form 10-K, Form 10-Q or Form 8-K (or any respective successor form) that is filed with or furnished to the SEC after the date of this Prospectus Supplement, such document or information shall be deemed to be incorporated by reference as an exhibit to the registration statement of which this Prospectus Supplement forms a part. In addition, we may incorporate by reference into the Base Shelf Prospectus information from documents that we file with or furnish to the SEC pursuant to Section 13(a) or 15(d) of the U.S. Exchange Act.**

**Any statement contained in the Base Shelf Prospectus, in this Prospectus Supplement or in any document incorporated or deemed to be incorporated by reference in the Base Shelf Prospectus for the purpose of this Offering shall be deemed to be modified or superseded, for purposes of this Prospectus Supplement, to the extent that a statement contained herein or in the Base Shelf Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in the Base Shelf Prospectus modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document which it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not constitute a part of this Prospectus Supplement, except as so modified or superseded.**

### **USE OF PROCEEDS**

The net proceeds from the Offering will be used to fund general exploration and development on the Company's advanced properties including Donlin Creek, Galore Creek and Rock Creek, its early-stage Ambler property and for general corporate purposes, including funding potential future acquisitions.

Although the Company intends to use the net proceeds from the Offering for the purposes set forth above, the Company reserves the right to use such net proceeds for other purposes to the extent such circumstances, including results obtained or other sound business reasons, make such use necessary or prudent.

### **CONSOLIDATED CAPITALIZATION**

Other than the issuance of shares pursuant to the exercise of stock options, warrants and stock appreciation rights (SAR), and the issuance of shares in connection with a property acquisition, there have been no material changes in the Company's share capital since November 30, 2009. The following table sets forth the consolidated capitalization of the Company as at the dates indicated before and after completion of the Offering. This table should be read in conjunction with the audited comparative consolidated financial statements of the Company for the years ended November 30, 2009 and 2008 together with the notes thereto and the auditors' report thereon, including management's discussion and analysis for the year ended November 30, 2009, incorporated by reference into the Base Shelf

Prospectus. See Documents Incorporated by Reference .

	<b>As at November 30, 2009 before giving effect to the Offering (in thousands)</b>	<b>As at November 30, 2009 after giving effect to the Offering<sup>(1)(2)(3)</sup> (in thousands) (unaudited)</b>
<b>Shareholders Equity</b>		
Share Capital (1,000,000,000 shares authorized, no par value; 187,142,000 shares issued and outstanding)	\$878,086	\$980,699
Equity Component of Convertible Notes	\$43,352	\$43,352
Contributed Surplus	\$9,994	\$9,994
Stock-Based Compensation	\$31,838	\$31,838
Warrants	\$31,065	\$31,065
Deficit	\$(672,258)	\$(672,258)
Accumulated other comprehensive income	\$495	\$495
<b>TOTAL CAPITALIZATION</b>	<b>\$322,572</b>	<b>\$425,185</b>

SC-7



## Notes:

- (1) Assumes all 18,181,818 Common Shares are issued pursuant to the Offering and after deducting expenses of the Offering, which are estimated at US\$250,000, which will be paid from the proceeds of the Offering, the net proceeds to the Company will be US\$99,749,999.
- (2) Assumes no exercise of stock options or warrants.
- (3) As adjusted based on the offering price of US\$5.50 per common share converted to Canadian dollars based on the noon buying rate as reported by the Bank of Canada on March 3, 2010.

**PLAN OF DISTRIBUTION**

The Company is proposing to issue 18,181,818 Common Shares at a price of US\$5.50 per Common Share. The Common Shares will be issued and sold by the Company directly to one or more investment funds managed by Paulson, pursuant to a subscription agreement dated March 4, 2010 between the Company and Paulson, on behalf of such funds. The closing of the Offering is expected to occur on or about March 9, 2010.

No underwriter has been involved in the preparation of, or has performed any review of, this Prospectus Supplement or the accompanying Base Shelf Prospectus.

The Offering is being made solely in the United States. No offers have been made and none of the purchasers are resident in Canada.

The offering price of the Common Shares was determined by negotiation between the Company and Paulson having reference to the recent trading price of the Company's common shares on the TSX and NYSE AMEX.

The expenses of the Offering are estimated to be US\$250,000 and are payable by the Company from the proceeds of the Offering.

The Company has applied to list the Common Shares on each of the TSX and NYSE AMEX. Listing is subject to the Company fulfilling all of the requirements of the TSX and NYSE AMEX.

**PRIOR SALES****Prior Sales**

Set forth below is information with respect to the securities of the Company issued during the 12-month period prior to the date of this Prospectus Supplement.

Common Shares

<b>Date of Issuance</b>	<b>Number of Common Shares Issued</b>	<b>Price per Common Share (CDN\$)</b>	<b>Reason for Issuance</b>
March 11, 2009	5,000	2.45	Option Exercise
April 13, 2009	1,667	2.45	Option Exercise
May 1, 2009	678,125	1.53	Warrant Exercise
May 15, 2009	1,000	2.45	Option Exercise
May 19, 2009	5,133	2.45	Option Exercise
May 20, 2009	186,875	1.53	Warrant Exercise
May 22, 2009	11,000	2.45	Option Exercise
May 25, 2009	5,000	2.45	Option Exercise
May 29, 2009	11,000	2.45	Option Exercise



<b>Date of Issuance</b>	<b>Number of Common Shares Issued</b>	<b>Price per Common Share (CDN\$)</b>	<b>Reason for Issuance</b>
June 1, 2009	9,000	2.45	Option Exercise
June 3, 2009	6,999	2.45	Option Exercise
June 4, 2009	8,000	2.45	Option Exercise
June 5, 2009	14,800	2.45	Option Exercise
June 9, 2009	11,668	2.45	Option Exercise
June 9, 2009	20,000	1.01	Option Exercise
June 17, 2009	10,000	2.45	Option Exercise
June 18, 2009	6,000	2.45	Option Exercise
June 19, 2009	1,000	2.45	Option Exercise
June 29, 2009	782,777	1.74	Warrant Exercise
June 30, 2009	10,000	2.45	Option Exercise
June 30, 2009	1,843	5.48	SAR Exercise
July 9, 2009	714,563	1.75	Warrant Exercise
July 17, 2009	982	4.81	SAR Exercise
August 7, 2009	3,333	2.45	Option Exercise
August 19, 2009	9,507	2.45	Option Exercise
August 19, 2009	671	4.09	SAR Exercise
August 28, 2009	798	1.62	Warrant Exercise
August 31, 2009	5,000	2.45	Option Exercise
September 2, 2009	665	4.20	SAR Exercise
September 8, 2009	10,000	2.45	Option Exercise
September 10, 2009	1,673	4.90	SAR Exercise
September 16, 2009	20,000	2.45	Option Exercise
September 16, 2009	1,725	5.25	Option Exercise
September 16, 2009	844	5.55	SAR Exercise
September 16, 2009	20,000	1.01	Option Exercise
September 17, 2009	5,585	5.58	SAR Exercise
September 17, 2009	5,521	5.45	SAR Exercise
September 21, 2009	2,887	5.90	SAR Exercise
September 21, 2009	2,958	6.00	SAR Exercise
September 24, 2009	744	5.52	SAR Exercise
September 29, 2009	135,000	1.53	Warrant Exercise
October 9, 2009	3,795	5.68	SAR Exercise
October 14, 2009	2,042	5.99	SAR Exercise
October 16, 2009	902	6.15	SAR Exercise
October 16, 2009	6,080	6.25	SAR Exercise
October 16, 2009	3,290	6.07	SAR Exercise
October 16, 2009	3,055	6.32	SAR Exercise
October 16, 2009	912	6.25	SAR Exercise
October 16, 2009	16,432	6.20	SAR Exercise
November 13, 2009	1,443	5.75	SAR Exercise

SC-9

<b>Date of Issuance</b>	<b>Number of Common Shares Issued</b>	<b>Price per Common Share (CDN\$)</b>	<b>Reason for Issuance</b>
November 13, 2009	2,341,099	1.58	Warrant Exercise
November 18, 2009	2,824	5.63	SAR Exercise
November 20, 2009	2,800	5.79	SAR Exercise
November 23, 2009	42,345	1.60	Warrant Exercise
November 27, 2009	2,891	5.81	SAR Exercise
November 30, 2009	5,847	5.90	SAR Exercise
November 30, 2009	600	6.13	SAR Exercise
December 1, 2009	774	6.00	SAR Exercise
December 1, 2009	2,696	6.00	SAR Exercise
December 3, 2009	253	5.92	SAR Exercise
December 4, 2009	1,096	6.10	SAR Exercise
December 4, 2009	800	6.25	SAR Exercise
December 7, 2009	6,080	6.41	SAR Exercise
December 7, 2009	2,809	6.41	SAR Exercise
December 7, 2009	15,223	6.70	SAR Exercise
December 7, 2009	7,065	6.85	SAR Exercise
December 7, 2009	3,094	6.43	SAR Exercise
December 7, 2009	3,135	6.57	SAR Exercise
December 7, 2009	920	6.41	SAR Exercise
December 7, 2009	212	6.78	SAR Exercise
December 8, 2009	3,201	6.81	SAR Exercise
December 18, 2009	156,880	1.60	Warrant Exercise
December 30, 2009	6,494	6.99	SAR Exercise
December 30, 2009	3,115	6.50	SAR Exercise
December 30, 2009	3,198	6.80	SAR Exercise
December 31, 2009	1,300	7.10	SAR Exercise
December 31, 2009	974	7.00	SAR Exercise
January 7, 2010	931,098	5.56	Consideration for Property Acquisition
January 8, 2010	3,171	6.70	SAR Exercise
January 11, 2010	277	6.82	SAR Exercise
January 11, 2010	797	6.70	SAR Exercise
January 11, 2010	2,833	6.75	SAR Exercise
January 13, 2010	2,137	6.84	SAR Exercise
January 13, 2010	961	6.82	SAR Exercise
January 14, 2010	541	7.01	SAR Exercise
January 28, 2010	5,896	6.05	SAR Exercise
January 29, 2010	4,078	6.31	SAR Exercise
February 12, 2010	4,094	6.32	SAR Exercise
February 12, 2010	154	6.40	SAR Exercise
February 23, 2010	22,889	6.14	SAR Exercise

SC-10

Stock Award Grants

<b>Date of Issuance</b>	<b>Number of Securities Issued</b>	<b>Exercise Price (CDN\$)</b>	<b>Reason for Issuance</b>
May 29, 2009	4,543,750	5.25	Stock Award Grant
June 10, 2009	10,000	5.50	Stock Award Grant
August 14, 2009	100,000	4.28	Stock Award Grant
September 10, 2009	10,000	4.75	Stock Award Grant
October 9, 2009	75,000	5.77	Stock Award Grant
December 17, 2009	30,000	5.76	Stock Award Grant
January 21, 2010	1,207,100	6.40	Stock Award Grant

**PRICE RANGE AND TRADING VOLUME**

NovaGold's common shares are listed on the TSX and NYSE AMEX under the symbol NG. The following table sets forth the price range and trading volume for the Common Shares on the TSX and NYSE AMEX for the periods listed below:

<b>Toronto Stock Exchange</b>					<b>NYSE Amex LLC</b>				
	High	Low	Close	Volume		High	Low	Close	Volume
March 1-3, 2010	6.38	6.07	6.19	3,228,616	March 1-3, 2010	6.17	5.78	5.94	7,123,483
February 2010	6.58	5.32	6.07	7,410,972	February 2010	6.30	4.96	5.82	49,584,162
January 2010	7.20	5.55	5.60	6,868,306	January 2010	6.98	5.20	5.26	53,861,999
December 2009	7.17	5.40	6.37	9,032,638	December 2009	6.81	5.04	6.13	85,744,025
November 2009	6.17	4.56	5.91	9,643,981	November 2009	5.90	4.22	5.59	56,801,255
October 2009	6.35	4.42	4.63	7,573,120	October 2009	6.15	4.09	4.30	67,929,004
September 2009	6.12	4.06	5.50	12,524,825	September 2009	5.74	3.68	5.12	75,064,795
August 2009	4.58	3.70	4.27	6,075,385	August 2009	4.28	3.33	3.89	32,432,723
July 2009	5.19	4.03	4.44	5,672,859	July 2009	4.66	3.54	4.07	34,238,926
June 2009	6.46	4.44	4.98	11,888,835	June 2009	5.97	3.05	4.28	58,812,349
May 2009	5.76	3.17	5.65	9,582,242	May 2009	5.30	2.66	5.13	37,611,080
April 2009	3.74	2.67	3.25	10,779,338	April 2009	3.02	2.15	2.73	26,546,265
March 2009	3.84	2.66	3.53	18,752,344	March 2009	2.98	2.11	2.76	41,204,163

On March 3, 2010, the closing price of the Company's Common Shares on the TSX was CDN\$6.30 per common share and on the NYSE AMEX was US\$6.09 per common share.

**LEGAL MATTERS**

Certain legal matters in connection with the Offering will be passed upon on behalf of the Company by Blake, Cassels & Graydon LLP with respect to Canadian legal matters and by Dorsey & Whitney LLP with respect to U.S. legal matters. The partners and associates of Blake, Cassels & Graydon LLP as a group beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Company.

**AUDITORS, REGISTRAR AND TRANSFER AGENT**

The Auditors for the Company are PricewaterhouseCoopers LLP of Vancouver, British Columbia. The transfer agent and registrar for the Company's common shares in Canada is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario and the registrar for the Company's common shares in the United States is Computershare Trust Company Inc. at its office in Denver, Colorado.



### **INTEREST OF EXPERTS**

Kevin Francis, Vice President, Technical Services of the Company, being a person who has prepared reports relating to the Company's mineral properties received or has received a direct or indirect interest in the property of the Company or of any associate or affiliate of the Company. As at the date hereof, Mr. Francis owns, directly or indirectly, in the aggregate, less than 1% of the securities of the Company.

PricewaterhouseCoopers LLP, Chartered Accountants, report that they are independent of the Company in accordance with the Rules of Professional Conduct in British Columbia, Canada. PricewaterhouseCoopers LLP is registered with the Public Company Accounting Oversight Board.

None of the aforementioned persons, nor any director, officer, employee or partner, as applicable, of the aforementioned companies or partnerships is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate of the Company, other than Mr. Kevin Francis, who is Vice President, Technical Services of the Company.

### **DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT**

In addition to the documents listed in the Base Shelf Prospectus under the heading "Documents Filed as Part of the Registration Statement", the following additional documents have been or will be filed with the SEC as part of the registration statement of which this prospectus forms a part: the documents referred to under the heading "Documents Incorporated by Reference" in this Prospectus Supplement and the form of subscription agreement.

SC-12

---

## NOVAGOLD RESOURCES INC.

**US\$500,000,000**  
**Debt Securities**  
**Preferred Shares**  
**Common Shares**  
**Warrants to Purchase Equity Securities**  
**Warrants to Purchase Debt Securities**  
**Share Purchase Contracts**  
**Share Purchase or Equity Units**

NovaGold Resources Inc. ( **NovaGold** or the **Company** ) may offer and issue from time to time debt securities (the **Debt Securities** ), preferred shares and common shares (the **Equity Securities** ), warrants to purchase Equity Securities and warrants to purchase Debt Securities (the **Warrants** ), share purchase contracts and share purchase or equity units (all of the foregoing, collectively, the **Securities** ) or any combination thereof up to an aggregate initial offering price of US\$500,000,000 during the 25-month period that this short form base shelf prospectus (the **Prospectus** ), including any amendments thereto, remains effective. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying shelf prospectus supplement (a **Prospectus Supplement** ).

**Investing in our securities involves a high degree of risk. You should carefully read the **Risk Factors** section beginning on page 29 of this Prospectus.**

**This offering is made by a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States and Canada, to prepare this Prospectus in accordance with Canadian disclosure requirements. Prospective investors should be aware that such requirements are different from those of the United States. Financial statements included or incorporated herein have been prepared in accordance with Canadian generally accepted accounting principles, and are subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies.**

**Prospective investors should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States may not be described fully herein. Prospective investors should read the tax discussion contained in the applicable Prospectus Supplement with respect to a particular offering of Securities.**

**The enforcement by investors of civil liabilities under the federal securities laws may be affected adversely by the fact that the Company is incorporated under the laws of Nova Scotia, Canada, that some of its officers and directors are residents of Canada, that some or all of the experts named in the registration statement are**



**residents of a foreign country, and that a substantial portion of the assets of the Company and said persons are located outside the United States.**

**Neither the Securities and Exchange Commission, nor any state securities regulator has approved or disapproved the Securities offered hereby or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offence.**

(cover page continues on next page)

---

The specific terms of the Securities with respect to a particular offering will be set out in the applicable Prospectus Supplement and may include, where applicable: (i) in the case of Debt Securities, the specific designation, aggregate principal amount, the currency or the currency unit for which the Debt Securities may be purchased, the maturity, interest provisions, authorized denominations, offering price, covenants, events of default, any terms for redemption or retraction, any exchange or conversion terms, whether the debt is senior or subordinated and any other terms specific to the Debt Securities being offered; (ii) in the case of Equity Securities, the designation of the particular class and series, the number of shares offered, the issue price, dividend rate, if any, and any other terms specific to the Equity Securities being offered; (iii) in the case of Warrants, the designation, number and terms of the Equity Securities or Debt Securities issuable upon exercise of the Warrants, any procedures that will result in the adjustment of these numbers, the exercise price, dates and periods of exercise, the currency in which the Warrants are issued and any other specific terms; (iv) in the case of share purchase contracts, the designation, number and terms of the Equity Securities to be purchased under the share purchase contract, any procedures that will result in the adjustment of these numbers, the purchase price and purchase date or dates of the Equity Securities, any requirements of the purchaser to secure its obligations under the share purchase contract and any other specific terms; and (v) in the case of share purchase or equity units, the terms of the share purchase contract and Debt Securities or third party obligations, any requirements of the purchaser to secure its obligations under the share purchase contract by the Debt Securities or third party obligations and any other specific terms. Where required by statute, regulation or policy, and where Securities are offered in currencies other than Canadian dollars, appropriate disclosure of foreign exchange rates applicable to such Securities will be included in the Prospectus Supplement describing such Securities.

Warrants will not be offered for sale separately to any member of the public in Canada unless the offering is in connection with, and forms part of, the consideration for an acquisition or merger transaction or unless the Prospectus Supplement describing the specific terms of the Warrants to be offered separately is first approved for filing by each of the securities commissions or similar regulatory authorities in Canada where the Warrants will be offered for sale.

NovaGold has filed an undertaking with each of the securities commissions or similar regulatory authorities in Canada that it will not distribute stand alone warrants, share purchase contracts or share purchase or equity units without pre-clearing with the applicable regulator the disclosure to be contained in the Prospectus Supplement pertaining to the distribution of such securities.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

This Prospectus constitutes a public offering of these Securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such Securities. The Company may offer and sell Securities to, or through, underwriters or dealers and also may offer and sell certain Securities directly to other purchasers or through agents pursuant to exemptions from registration or qualification under applicable securities laws. A Prospectus Supplement relating to each issue of Securities offered thereby will set forth the names of any underwriters, dealers or agents involved in the offering and sale of such Securities and will set forth the terms of the offering of such Securities, the method of distribution of such Securities including, to the extent applicable, the proceeds to the Company and any fees, discounts or any other compensation payable to underwriters, dealers or agents and any other material terms of the plan of distribution. The common shares of NovaGold are listed on the Toronto Stock Exchange ( TSX ) and the NYSE Amex LLC ( NYSE Amex ) under the symbol NG . Unless otherwise specified in the applicable Prospectus Supplement, Securities other than the common shares of NovaGold will not be listed on any securities exchange. The offering of Securities hereunder is subject to approval of certain legal matters on behalf of NovaGold by Blake, Cassels & Graydon LLP, with respect to Canadian legal matters, and Dorsey & Whitney LLP, with respect to U.S. legal matters.

**The earnings coverage ratio of NovaGold for the fiscal year ended November 30, 2008 was less than one-to-one. See Earnings Coverage .**

---

**TABLE OF CONTENTS**

<u>CAUTIONARY NOTE TO UNITED STATES INVESTORS</u>	<u>3</u>
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	<u>4</u>
<u>EXCHANGE RATE INFORMATION</u>	<u>5</u>
<u>THE COMPANY</u>	<u>6</u>
<u>RISK FACTORS</u>	<u>29</u>
<u>USE OF PROCEEDS</u>	<u>40</u>
<u>EARNINGS COVERAGE</u>	<u>40</u>
<u>DIVIDEND POLICY</u>	<u>41</u>
<u>CONSOLIDATED CAPITALIZATION</u>	<u>41</u>
<u>MANAGEMENT</u>	<u>41</u>
<u>DESCRIPTION OF SHARE CAPITAL</u>	<u>44</u>
<u>DESCRIPTION OF DEBT SECURITIES</u>	<u>44</u>
<u>DESCRIPTION OF WARRANTS</u>	<u>51</u>
<u>DESCRIPTION OF SHARE PURCHASE CONTRACTS AND SHARE PURCHASE OR EQUITY</u>	<u>52</u>
<u>UNITS</u>	
<u>DENOMINATIONS, REGISTRATION AND TRANSFER</u>	<u>52</u>
<u>PLAN OF DISTRIBUTION</u>	<u>53</u>
<u>CANADIAN FEDERAL INCOME TAX CONSIDERATIONS</u>	<u>53</u>
<u>CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS</u>	<u>55</u>
<u>LEGAL MATTERS</u>	<u>64</u>
<u>AUDITORS, TRANSFER AGENT AND REGISTRAR</u>	<u>64</u>
<u>INTEREST OF EXPERTS</u>	<u>64</u>
<u>DOCUMENTS INCORPORATED BY REFERENCE</u>	<u>65</u>
<u>DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT</u>	<u>66</u>
<u>ADDITIONAL INFORMATION</u>	<u>66</u>
<u>ENFORCEABILITY OF CIVIL LIABILITIES</u>	<u>67</u>

---

**You should rely only on the information contained in or incorporated by reference into this Prospectus. The Company has not authorized anyone to provide you with different information. The Company is not making an offer of these Securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this Prospectus and any Prospectus Supplement is accurate as of any date other than the date on the front of those documents.**

**Unless stated otherwise or as the context otherwise requires, all references to dollar amounts in this Prospectus and any Prospectus Supplement are references to Canadian dollars. References to \$ or Cdn\$ are to Canadian dollars and references to US\$ are to U.S. dollars. See Exchange Rate Information . The Company's financial statements that are incorporated by reference into this Prospectus and any Prospectus Supplement have been prepared in accordance with generally accepted accounting principles in Canada ( Canadian GAAP ), and are reconciled to generally accepted accounting principles in the United States ( U.S. GAAP ) as described therein.**

**Unless the context otherwise requires, references in this Prospectus and any Prospectus Supplement to NovaGold or the Company includes NovaGold Resources Inc. and each of its material subsidiaries.**

**CAUTIONARY NOTE TO UNITED STATES INVESTORS**

This Prospectus has been, and any Prospectus Supplement will be, prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of United States securities laws. Unless otherwise indicated, all reserve and resource estimates included in this Prospectus and any Prospectus Supplement have been, and will be, prepared in accordance with Canadian National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ( NI 43-101 ) and the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standard for

Mineral Resources and Mineral Reserves ( CIM Definition Standards ). NI 43-101 is a rule developed by the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. NI 43-101 permits the disclosure of an historical estimate made prior to the adoption of NI 43-101 that does not comply with NI 43-101 to be disclosed using the historical terminology if the disclosure: (a) identifies the source and date of the historical estimate; (b) comments on the relevance and reliability of the historical estimate; (c) states whether the historical estimate uses categories other than those prescribed by NI 43-101; and (d) includes any more recent estimates or data available.

Canadian standards, including NI 43-101, differ significantly from the requirements of the United States Securities and Exchange Commission ( SEC ), and reserve and resource information contained or incorporated by reference into this Prospectus and any Prospectus Supplement may not be comparable to similar information disclosed by U.S. companies. In particular, and without limiting the generality of the foregoing, the term resource does not equate to the term reserves . Under U.S. standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC s disclosure standards normally do not permit the inclusion of information concerning measured mineral resources , indicated mineral resources or inferred mineral resources or other descriptions of the amount of mineralization in mineral deposits that do not constitute reserves by U.S. standards in documents filed with the SEC. U.S. investors should also understand that inferred mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimated inferred mineral resources may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of contained ounces in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute reserves by SEC standards as in-place tonnage and grade without reference to unit measures. The requirements of NI 43-101 for identification of reserves are also not the same as those of the SEC, and reserves reported by NovaGold in compliance with NI 43-101 may not qualify as reserves under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with United States standards.

See Preliminary Notes - Glossary and Defined Terms in the Company s Annual Information Form for the fiscal year ended November 30, 2008, which is incorporated by reference herein, for a description of certain of the mining terms used in this Prospectus and any Prospectus Supplement and the documents incorporated by reference herein and therein.

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Prospectus and the documents incorporated by reference into this Prospectus contain statements of forward-looking information concerning the Company s plans at the Donlin Creek project, the Galore Creek project and Nome Operations (comprising Rock Creek, Big Hurrah and Nome Gold), estimated production, capital and operating cash flow estimates and other matters. 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, using words or phrases such as expects , is expected , anticipates , plans , projects , estimates , assumes , intends , strategy , goals , variations thereof or stating that certain actions, events or results may , could , would , might or will be taken, or may 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 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 Company's mineral exploration and development properties;

- risks related to the Company's ability to commence production and generate material revenues or obtain adequate financing for its planned exploration and development activities;
- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- risks related to the third parties on which the Company depends for its exploration activities;
- risks related to the Company's ability to finance the development of its mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;
- credit, liquidity, interest rate and currency risks;
- the risk that permits and governmental approvals necessary to develop and operate mines on the Company's properties will not be available on a timely basis or at all;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of the Company's mineral deposits;
- commodity price fluctuations;
- risks related to the Company's current practice of not using hedging arrangements;
- risks related to market events and general economic conditions;
- uncertainties relating to the assumptions underlying the Company's resource and reserve estimates;
- risks related to governmental regulation and permits, including environmental regulation;
- risks related to the need for reclamation activities on the Company's properties and uncertainty of cost estimates related thereto;
- the Company's need to attract and retain qualified management and technical personnel;
- 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;
- uncertainty related to unsettled aboriginal rights and title in British Columbia;
- uncertainty related to title to the Company's mineral properties;
- the Company's history of losses and expectation of future losses;
- risks related to the integration of potential new acquisitions into the Company's existing operations;
- uncertainty inherent in litigation including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- increased competition in the mining industry;
- uncertainty as to the Company's ability to acquire additional commercially mineable mineral rights;
- uncertainty as to the completion of the purchase of a 100% interest in the Ambler property;
- uncertainty as to the outcome of litigation pending against the Company; and
- uncertainty as to the Company's ability to maintain the adequacy of internal control over financial reporting as per the requirements of the *Sarbanes-Oxley Act*.

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

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does 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.

#### EXCHANGE RATE INFORMATION



The following table sets forth (i) the rate of exchange for the Canadian dollar, expressed in U.S. dollars, in effect at the end of the periods indicated; (ii) the average exchange rates for the Canadian dollar, on the last day of each month during such periods; and (iii) the high and low exchange rates for the Canadian dollar, expressed in U.S. dollars, during such periods, each based on the noon rate of exchange as reported by the Bank of Canada for conversion of Canadian dollars into U.S. dollars:

	<b>Fiscal Year Ended November 30,</b>		
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Rate at the end of period	0.8083	0.9992	0.8760
Average rate during period	0.9559	0.9300	0.8844
Highest rate during period	1.0289	1.0905	0.9099
Lowest rate during period	0.7726	0.8437	0.8522

On December 29, 2009, the exchange rate for the Canadian dollar, as expressed in U.S. dollars based on the Bank of Canada noon rate was \$1.00 per US\$0.9611.

## THE COMPANY

*The following description of the Company is derived from selected information about the Company contained in the documents incorporated by reference into this Prospectus. This description does not contain all of the information about the Company and its properties and business that you should consider before investing in any Securities. You should carefully read the entire Prospectus and the applicable Prospectus Supplement, including the section titled Risk Factors that immediately follows this description of the Company, as well as the documents incorporated by reference into this Prospectus and the applicable Prospectus Supplement, before making an investment decision. This Prospectus contains forward-looking statements concerning the Company's plans at its properties, production, capital costs, operating costs and cash flow estimates and other matters. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause the Company's results to differ from those expressed or implied by the forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements .*

### Summary Description of NovaGold's Business

NovaGold is a growth-focused precious metals company engaged in the exploration and development of mineral properties in Alaska and British Columbia. The Company conducts its operations through wholly-owned subsidiaries, partnerships, limited liability companies and joint ventures. Since 1998, the Company has assembled a portfolio of gold and base metal properties. The Company is primarily focused on gold properties, some of which also have significant copper and silver resources. The Company's portfolio of properties includes:

- Donlin Creek, a feasibility-stage project located in Alaska ( Donlin Creek ). Donlin Creek is operated by the Donlin Creek LLC, a limited liability company that is owned 50% by the Company and 50% by Barrick Gold U.S. Inc., a subsidiary of Barrick Gold Corporation (together Barrick ). Donlin Creek is one of the largest known undeveloped gold deposits in the world with proven and probable reserves estimated at 29.3 million ounces of contained gold with additional measured and indicated resources of 6.0 million ounces of gold and inferred resources of 4.0 million ounces of gold.
- Galore Creek, a large copper-gold-silver project located in northwestern British Columbia ( Galore Creek ). Galore Creek is held by a partnership in which NovaGold and Teck Resources Limited ( Teck ) each have a 50% interest and is managed by the Galore Creek Mining Corporation ( GCMC ). Construction at the Galore Creek project was suspended in November 2007 in light of information indicating the possibility of increased capital costs and a longer construction schedule than originally contemplated. A revised resource estimate for the Galore Creek project totals measured and indicated resources of 8.9 billion pounds of copper, 7.3 million ounces of gold and 123 million ounces of silver, with additional inferred resources, including the Copper Canyon deposit (of which NovaGold owns 60%, held in trust for the Galore Creek Partnership), of 4.0 billion pounds of copper, 4.9 million ounces of gold and 80 million ounces of silver.
- Rock Creek, Big Hurrah and Nome Gold, located in Alaska (together, Nome Operations ). Nome Operations has 0.5 million ounces of probable gold reserves with additional measured and indicated resources of 1.9 million ounces of gold and inferred resources of 0.3 million ounces of gold. Construction on the Rock Creek mine commenced in the summer of 2006. Commissioning start-up and systems testing began in September

2008 but the Company suspended those activities on November 24, 2008, as a result of unanticipated mechanical and environmental issues and higher than anticipated costs. The Company is evaluating the potential to recommence the start-up process at the Rock Creek mine or to possibly sell the property or an interest in the property to another company. The Company does not currently plan to recommence the start-up and commissioning process at the Rock Creek mine in the near term.

- Ambler, an exploration-stage property located in Alaska. In December 2009, NovaGold entered into an agreement to purchase a 100% interest in the Ambler property, which hosts the high-grade copper-zinc-gold-silver Arctic deposit. The Ambler property comprises 36,670 hectares (90,614 acres) of Federal patented and unpatented mining claims and State of Alaska mining claims, covering a major portion of the precious-metal-rich Ambler volcanogenic massive sulfide (“VMS”) belt. A resource estimate for the Arctic deposit totals indicated resources of 2.2 billion pounds of zinc, 1.5 billion pounds of copper, 450,000 ounces of gold, 32 million ounces of silver and 350 million pounds of lead, with additional inferred resources of 1.3 billion pounds of zinc, 937 million pounds of copper, 260,000 ounces of gold, 19 million ounces of silver and 210 million pounds of lead.

In addition, NovaGold holds a portfolio of earlier stage exploration projects that have not advanced to the resource definition stage. The Company is also engaged in the sale of sand, gravel and land, and receives royalties from placer gold production, largely from its holdings around Nome, Alaska. For the purposes of NI 43-101, NovaGold’s material properties are Donlin Creek and Galore Creek.

The following table sets forth the reserves and resources at the Company's mineral projects.

**NovaGold Resources Inc.**

**Proven and Probable Reserves, Measured, Indicated and Inferred Resources for Gold (Au), Silver (Ag), Copper (Cu), Zinc (Zn) and Lead (Pb)**

**As at April 1, 2009**

**Reserves**

Property % Ownership	Resource Category	Tonnes Millions	In Situ Grade					Total Contained Metal					NovaGold Share Net After Earn-Ins						
			Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb	
<b>Donlin Creek (1)</b>	Proven	8.4	2.59					0.70						0.35			0.35		
	<b>approximately 0.87 g/t Au Cutoff</b>																		
50% Ownership - 50% Owned by Barrick Gold U.S. Inc.	Probable	375.4	2.37					28.57						14.29			14.29		
	<b>Total P&amp;P</b>	<b>383.8</b>	<b>2.37</b>					<b>29.27</b>						<b>14.64</b>			<b>14.64</b>		
<b>Rock Creek (2)</b>	Proven																		
	<b>0.6 g/t Au Cutoff</b>																		
100% Ownership	Probable	7.8	1.30					0.32						0.32			0.32		
<b>Big Hurrah (2)</b>	Proven																		
	<b>1.33 g/t Au Cutoff</b>																		
100% Ownership	Probable	1.2	4.82					0.19						0.19			0.19		
<b>Total Proven Reserves</b>		<b>8.4</b>	<b>2.59</b>					<b>0.70</b>						<b>0.35</b>			<b>0.35</b>		
<b>Total Probable Reserves</b>		<b>384.4</b>	<b>2.35</b>					<b>29.08</b>						<b>14.80</b>			<b>14.80</b>		
<b>Total Proven and Probable Reserves</b>		<b>392.8</b>	<b>2.36</b>					<b>29.78</b>						<b>15.15</b>			<b>15.15</b>		
<b>Resources (exclusive of Reserves)</b>																			

Property % Ownership	Resource Category	Tonnes Millions	In Situ Grade					Total Contained Metal					NovaGold Share Net After				
			Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn

Edgar Filing: NOVAGOLD RESOURCES INC - Form SUPPL

<b>Donlin Creek (3)(4)</b> <b>approximately 0.87 g/t Au Cutoff</b>	Measured	1.2	2.19		0.08				0.04	0.04		
50% Ownership Indicated - 50% Owned by Barrick Gold U.S. Inc.		93.4	1.97		5.92				2.96	2.96		
<b>Total M&amp;I</b>		<b>94.6</b>	<b>1.97</b>		<b>6.01</b>				<b>3.00</b>	<b>3.00</b>		
	Inferred	54.5	2.29		4.02				2.01	2.01		
<b>Galore Creek (3)(5)</b> <b>0.21% CuEq Cutoff</b>	Measured	4.7	0.37	4.4	10.52	0.06	0.67	54.1	0.03	0.34	0.04	27.0
50% Ownership Indicated - 50% Owned By Teck Cominco Limited		781.0	0.29	4.8	80.52	7.21	122.42	8,872.3	3.61	61.21	4.64	4,436.1
<b>Total M&amp;I</b>		<b>785.7</b>	<b>0.29</b>	<b>4.87</b>	<b>10.52</b>	<b>7.27</b>	<b>123.09</b>	<b>8,926.3</b>	<b>3.64</b>	<b>61.55</b>	<b>4.68</b>	<b>4,463.2</b>
	Inferred	357.7	0.18	3.6	90.36	2.06	42.49	2,858.3	1.03	21.24	1.39	1,429.1
<b>Copper Canyon (3)(6)</b> <b>0.35% CuEq Cutoff</b>	Inferred	164.8	0.54	7.1	150.35	2.86	37.91	1,160.0	1.72	22.75	2.10	696.0
60% Ownership - NovaGold interest held in trust for the Galore Creek Partnership	<b>Total Inferred</b>	<b>522.5</b>	<b>0.29</b>	<b>4.79</b>	<b>10.35</b>	<b>4.92</b>	<b>80.40</b>	<b>4,018.3</b>	<b>2.74</b>	<b>43.99</b>	<b>3.49</b>	<b>2,125.1</b>
<b>Rock Creek (3)(7)</b> <b>0.6 g/t Au Cutoff</b>	Measured											
100% Ownership	Indicated	7.7	1.21			0.29			0.29	0.29		
<b>Total M&amp;I</b>		<b>7.7</b>	<b>1.21</b>			<b>0.29</b>			<b>0.29</b>	<b>0.29</b>		
	Inferred	0.6	1.09			0.02			0.02	0.02		
<b>Big Hurrah (3)(8)</b> <b>1.0 g/t</b>	Measured											

**Au Cutoff**

100% Ownership Indicated 0.9 2.68 0.08 0.08 0.08 0.08

**Total M&I 0.9 2.68 0.08 0.08**

Inferred 0.2 2.97 0.02 0.02 0.02 0.02

**Nome Gold (3)(9) 0.20 g/m3 Au Cutoff**

Measured **m3 g/m3** 79.1 0.32 0.80 0.80 0.80 0.80

100% Ownership Indicated 83.8 0.28 0.76 0.76 0.76 0.76

**Total M&I 162.9 0.30 1.56 1.56**

Inferred 30.6 0.27 0.25 0.25 0.25 0.25

**Ambler (3)(10) Measured \$100 Gross Metal Value / Tonne Cutoff**

Earning 51% from Rio Tinto Indicated 16.8 0.83 59.63 4.14 6.03 0.94 0.45 32.29 1,538.22, 237.13 50.3 0.45 32.29 0.99 1,538.22, 237.13 50.3

**Total M&I 16.8 0.83 59.63 4.14 6.03 0.94 0.45 32.29 1,538.22, 237.13 50.3 0.45 32.29 0.99 1,538.22, 237.13 50.3**

Inferred 11.9 0.67 48.37 3.56 4.99 0.80 0.26 18.57 936.91, 313.12 10.0 0.13 9.47 0.29 477.83

**Total Proven & Probable Reserves Contained Metal 29.78 15.15 15.15**

**Total Measured & Indicated Contained Metal (exclusive of Reserves) 15.66 155.38 10,464.56 2,237.13 50.3 9.02 93.83 10.61 6,001.39 2,237.13 50.3**

**Total Inferred Contained Metal 9.49 98.97 4,955.21 1,313.12 10.0 5.18 53.46 6.08 2,602.97**

**Notes:**

1. These reserve and resource estimates have been prepared in accordance with NI 43-101 and the CIM Definition Standards, unless otherwise noted. See “Cautionary Note to United States Investors”.
2. See numbered footnotes below on reserve and resource information. Reserves and resources shown in the right-hand columns are reported as net values to NovaGold.
3. AuEq - gold equivalent is calculated using gold and silver in the ratio of gold + silver / (US\$650 Au / US\$11 Ag).
4. Sums may not agree due to rounding.

**Reserve and Resource Footnotes:**

- (1) The basis for the cut-off grade was an assumed gold price of US\$725/oz. The reserve and resource estimates for Donlin Creek are based on the technical report titled “Donlin Creek Gold Project, Alaska, USA, NI 43-101 Technical Report” dated April 1, 2009, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).
- (2) The basis for the cut-off grade was an assumed gold price of US\$500/oz. The reserve estimates for Rock Creek and Big Hurrah are based on the technical report titled “Technical Report, Rock Creek and Big Hurrah Project” dated February 21, 2008, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).
- (3) Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred resources are in addition to measured and indicated resources. Inferred resources have a great amount of uncertainty as to their existence and whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. See “Cautionary Note to United States Investors”.
- (4) A variable cut-off grade has been estimated based on recent estimates of mining costs, processing costs (dependent upon sulfur content), selling costs and royalties. Resources are constrained within a Lerchs-Grossman (LG) open-pit shell using the long-term metal price assumption of US\$850/oz of gold. Assumptions for the LG shell included pit slopes variable by sector and pit area: mining cost is variable with depth, averaging US\$2.08/t mined; process cost is calculated as the percent sulfur grade x US\$2.7948 + US\$12.82; general and administrative costs, gold selling cost and sustaining capital are reflected on a per tonne basis. Based on metallurgical testing, gold recovery is assumed to be 89.5%. The reserve and resource estimates for Donlin Creek are based on the technical report titled “Donlin Creek Gold Project, Alaska, USA, NI 43-101 Technical Report” dated April 1, 2009, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).
- (5) The copper-equivalent grade was calculated as follows:  $CuEq = Recoverable\ Revenue \div 2204.62 \div US\$1.55 \div Cu\ Recovery$ . Where: CuEq = Copper equivalent grade; Recoverable Revenue = Revenue in US dollars for recoverable copper, recoverable gold, and recoverable silver using metal prices of Cu US\$/lb = 1.550, Au US\$/oz = 650, Ag US\$/oz = 11. Cu Recovery = Recovery for copper based on mineral zone and total copper grade. The cut-off grade is based on assumptions of offsite concentrate and smelter charges and onsite plant recovery and is used for break-even mill feed/waste selection. The resource estimate for Galore Creek is based on the technical report titled “Galore Creek Property NI 43-101 Technical Report” dated January 25, 2008, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).
- (6)



The copper equivalent (CuEq) calculations use metal prices of US\$375/oz for gold, US\$5.50/oz for silver and US\$0.90/lb for copper. CuEq calculations reflect gross metal content that have been adjusted for metallurgical recoveries based on the following criteria: copper recovery =  $(\%Cu - 0.06)/\%Cu$  with a minimum of 50% and maximum of 95%; gold recovery =  $(Au\ g/t - 0.14)/Au\ g/t$  with a minimum of 30% and maximum of 80%; and silver recovery = 80%. The resource estimate for Copper Canyon is based on the technical report titled "Geology and Resource Potential of the Copper Canyon Property" dated February 9, 2005, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

- (7) The basis for the cut-off grade was an assumed gold price of US\$500/oz. The resource estimate for Rock Creek was completed by Kevin Francis, P.Geo., a qualified person as defined by NI 43-101 and an employee of the Company. This resource estimate was disclosed in a NovaGold press release dated April 15, 2009, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).
- (8) The basis for the cut-off grade was an assumed gold price of US\$500/oz. The resource estimate for Big Hurrah is based on the technical report titled "Technical Report, Rock Creek and Big Hurrah Project" dated February 21, 2008, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).
- (9) Nome Gold resource is an alluvial deposit, which is reported in cubic meters rather than tonnes, and grams/cubic meter rather than grams/tonne. 85,000 ounces contained within the reported resources may be subject to a royalty. The resource estimate for Nome Gold is based on the technical report titled "Technical Report, Nome Placer Property" dated September 12, 2006, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).
- (10) Ownership subject to successful closing of a purchase agreement with Kennecott Exploration Company and Kennecott Arctic Company, scheduled to close by January 8, 2010. There can be no assurance that the closing will occur or that the purchase will be completed. US\$100 gross metal value/tonne cutoff. Gross metal value was calculated based on metal prices of Cu US\$2.25/lb, Zn US\$1.05/lb, Au US\$525/oz, Ag US\$9.5/oz and Pb US\$0.55/lb applied to each individual grade. The gross metal value is equal to the sum of each grade multiplied by the value of the metal unit. No metallurgical recovery has been applied. The resource estimate for the Arctic deposit is based on the technical report titled "NI 43-101 Technical Report on Resources, Ambler Project, Arctic Deposit" dated February 12, 2008 with an effective date of January 31, 2008, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

## Corporate Information

NovaGold Resources Inc. was incorporated by memorandum of association on December 5, 1984, under the Companies Act (Nova Scotia) as 1562756 Nova Scotia Limited. On January 14, 1985, the Company changed its name to NovaCan Mining Resources (1985) Limited and on March 20, 1987, the Company changed its name to NovaGold Resources Inc. The Company is in good standing under the laws of the Province of Nova Scotia. The registered office of the Company is located at 5151 George Street, Suite 1600, Halifax, Nova Scotia, Canada, B3J 2N9. The Company's principal office is located at Suite 2300, 200 Granville Street, Vancouver, B.C., Canada, V6C 1S4.

The Company has the following material, direct and indirect, wholly-owned subsidiaries: Alaska Gold Company, NovaGold Resources Alaska, Inc. and NovaGold Canada Inc. (formerly SpectrumGold Inc.).

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

## Recent Developments

### *Donlin Creek Feasibility Study*

NovaGold commissioned AMEC Americas Limited (AMEC) to provide an independent Qualified Person's Review and Technical Report for the Donlin Creek project based on information contained in a feasibility study prepared for the Donlin Creek LLC and announced by the Company on April 28, 2009.

Based on the feasibility study, the Donlin Creek mine has been designed as a year-round, open-pit operation. Although the feasibility study contemplates plant start-up in 2015, actual timing, costs and economic returns may differ significantly from those set out in the feasibility study. With the current 29.3 million ounce gold reserve base, the anticipated life of mine (LOM) is 21 years with a mill throughput of 53,500 tonnes per day. During the first 5 full years, production is expected to average 1.6 million ounces with an average total cash cost of US\$394/oz, which places Donlin Creek in the lower quartile for current global industry total cash costs. Gold production for the first 12 full years is expected to average nearly 1.5 million ounces annually at an average total cash cost of US\$444/oz. LOM production is estimated at an average of 1.25 million ounces of gold annually, for total recovered gold of 26.2 million ounces. These production levels would make Donlin Creek one of the world's largest gold-producing mines.

Industry wide capital costs saw significant increases over the past two years and peaked in the latter half of 2008,

which is when the Donlin Creek LLC was estimating costs for the project. As outlined in the feasibility study, the total estimated cost to design and build the Donlin Creek project is US\$4,481 million, including an owner-provided mining fleet and self-performed pre-development costs. This represents an approximate 10% increase in the total estimated capital costs over the studies conducted in 2007 using a similar approach to the project with on-site power generation. Sustaining capital requirements total US\$803 million over the 20+ year mine life. All costs are expressed in Q4-2008 US dollars with no allowances for interest during construction, taxes or duties. Recognizing

the recent decrease in costs for construction inputs such as steel, concrete, diesel and labor, the Donlin Creek LLC is reviewing the capital cost estimates for the project. In addition, the Donlin Creek LLC is reviewing optimization scenarios for the project that may reduce power and processing costs.

As contemplated in the feasibility study, LOM operating costs, including allocations for mining, processing, administration and refining, are estimated at US\$30.03/t milled and US\$4.60/t mined. The operating cost estimates have been assembled by area and component, based on estimated staffing levels, consumables and expenditures, according to the mine plan and process design.

The project is expected to generate positive net cash flow at the base case gold price assumption of US\$725/oz used for the reserve estimate. At a gold price of US\$1,000/oz the project would generate US\$8.4 billion in pre-tax cash flow and have a pre-tax net present value ( NPV ) (5%) of US\$2.7 billion with a pre-tax internal rate of return ( IRR ) of 12.3% .

The feasibility study included a reserve/resource estimate in which a majority of the mineral resources were converted to mineral reserves. The project contains an estimated 29.3 million ounces of proven and probable gold reserves, with an additional 6.0 million ounces of measured and indicated gold resources and 4.0 million ounces of inferred gold resources. Mineral reserves and mineral resources have been estimated using a long-term gold price assumption of US\$725/oz and US\$850/oz, respectively.

#### *Legal Actions*

The Company, certain of its officers and directors, and Galore Creek Mining Corporation were named as defendants in a consolidated securities class action lawsuit filed on December 22, 2008 in the United States District Court for the Southern District of New York. This complaint consolidates similar complaints filed on August 7, September 9, and November 21, 2008. The plaintiff alleges violations of the U.S. Securities Exchange Act of 1934, as amended (the U.S. Exchange Act ) and the Securities Act of 1933, as amended (the U.S. Securities Act ), on the basis of alleged misstatements and omissions in various public statements and filings between October 25, 2006 and November 23, 2007, including the April 16, 2007 registration statement, concerning the Galore Creek property. The plaintiff seeks an unspecified amount of damages in an amount to be proven at trial. On June 5, 2009, the court granted the defendants motion to dismiss in part, dismissing all of the plaintiff s claims under the U.S. Securities Act, dismissing all claims against Galore Creek Mining Corporation, and dismissing certain claims against the Company and its officers and directors under the U.S. Exchange Act. The Company disputes the claims that remain and intends to contest the action vigorously. There can be no assurance that these proceedings will be resolved in favor of NovaGold and an unfavorable outcome of this litigation may have a material adverse impact on the Company s financial condition.

On October 14, 2009, NovaGold and certain of its directors and officers together with Hatch Ltd., the engineering firm that completed the October 2006 Galore Creek feasibility study, were named as defendants in a purported class action lawsuit commenced by a Notice of Action filed in the Ontario Superior Court of Justice in Canada (the Ontario Action ). The Notice of Action alleges, among other things, that the defendants made, or were responsible for, misrepresentations in various public statements and filings made from October 25, 2006 through January 16, 2008 concerning NovaGold s Galore Creek project. The Ontario Action seeks general damages in the amount of \$100 million. On October 28, 2009, the same parties were named as defendants in a class action lawsuit commenced in the Supreme Court of British Columbia (the BC Action ). The Statement of Claim in the BC Action also alleges that the defendants made, or were responsible for, misrepresentations in various public statements and filings made from October 25, 2006 through January 16, 2008 concerning NovaGold s Galore Creek project. The BC Action is seeking special, general and punitive damages. The Company disputes these claims and believes that it has substantial and meritorious legal and factual defences, which it intends to pursue vigorously. There can be no assurance that these proceedings will be resolved in favor of NovaGold and an unfavorable outcome of this litigation may have a material adverse impact on the Company s financial condition.

On July 15, 2009, two claims were filed in the United States District Court for the District of Alaska by the personal representative of Tyler Thomas Kahle against NovaGold and Alaska Gold Company ( AGC ) arising out of an accident on July 19, 2007, where two employees of a contractor were killed in a construction-related accident at the Company s Rock Creek mine. The claims are seeking wrongful death damages in excess of US\$2.5 million. The Company and AGC filed an answer to the complaint denying all allegations and asserting certain affirmative

defences. The Company and AGC dispute these claims and believe they have substantial and meritorious legal and factual defences, which they intend to pursue vigorously.

#### *Environmental*

On July 2, 2009, AGC, a wholly-owned subsidiary of NovaGold, received a Notice of Violation ( NOV ) from the Alaska Department of Environmental Conservation ( ADEC ). In the NOV, ADEC alleged that AGC violated the terms of its Waste Management Permit at the Rock Creek mine by failing to comply with the water treatment and injection requirements of the mine's Temporary Closure Plan. On October 6, 2009, AGC entered into a Compliance Order by Consent ( COBC ) with ADEC resolving the NOV. As a part of the NOV, AGC will treat, inject, and apply water at an increased rate to reduce water levels behind the mine's tailings storage facility dam. If AGC does not comply with the requirements of the COBC, ADEC may assess financial penalties; however, no financial penalties have been assessed at this time.

On August 5, 2009, AGC received a Compliance Order from the U.S. Environmental Protection Agency (the EPA ) containing a Clean Water Act § 308 Information Request. The Information Request directed AGC to submit an updated Stormwater Pollution Prevention Plan to the EPA and the Alaska Department of Environmental Conservation, to stabilize storm water diversion structures at the mine, and to provide other information regarding construction of these features. On August 11, 2009, AGC responded to the Information Request in writing, and requested clarification of the request. On October 15, 2009, AGC further responded to the Information Request and provided detailed responses to the request. Through conversations with the EPA regarding this request, AGC has agreed to update its existing Storm Water Pollution Prevention Plan to include additional details regarding the timing of construction of storm water measures.

Even though the Company currently has no near-term plans to recommence the start-up and commissioning process at its Rock Creek mine, it will continue to spend money, time and resources complying with Environmental Laws, its permits and temporary closure plans, as well as the October 6, 2009 COBC.

#### *Sale of Murray Brook Mine*

Effective October 16, 2009, the Company sold its wholly-owned subsidiary, Murray Brook Resources Inc., to Murray Brook Minerals Inc. ( MBM ). The Company received \$150,000 on the sale and MBM assumed all reclamation liabilities on the Murray Brook property. The Company also subscribed for \$500,000 of MBM shares at a price of \$0.35 per share in cash. MBM also has early-stage mineral properties in Switzerland.

#### *Purchase of Ambler Property*

On December 18, 2009, NovaGold and its wholly-owned subsidiary, Alaska Gold Company entered into an agreement with Kennecott Exploration Company and Kennecott Arctic Company (collectively "Kennecott"), to purchase a 100% interest in the Ambler property in northern Alaska, which hosts the high-grade copper-zinc-gold-silver Arctic deposit. NovaGold has agreed to pay Kennecott a total purchase price of US\$29 million for the Ambler property to be paid as: US\$5 million by the issuance of 931,098 NovaGold shares and two instalments of US\$12 million each, due on the first and second anniversaries of the closing date of the transaction, respectively. Kennecott will retain a 1% net smelter return royalty that can be purchased at any time for a one-time payment of US\$10 million. The transaction is expected to close by January 8, 2010, subject to normal conditions including obtaining stock exchange approvals for the share issuance. The agreement terminates the exploration agreement between NovaGold and Kennecott dated March 22, 2004, as amended, under which NovaGold had the ability to earn a 51% interest in the Ambler property.

#### **Properties**

The following description summarizes selected information about the Company's Donlin Creek, Galore Creek and Nome Operations projects. Please refer to the Company's Annual Information Form for the fiscal year ended November 30, 2008, and the various NI 43-101 compliant reports referenced below for a further description of these properties, including their location, accessibility, climate, local resources, infrastructure, physiography, geological setting, mineralization, past drilling programs and history.

### **Donlin Creek Project, Alaska**

Donlin Creek is an advanced-stage gold project held by the Donlin Creek LLC, a limited liability company that is owned 50% by the Company's wholly-owned subsidiary, NovaGold Resources Alaska, Inc. and 50% by Barrick's wholly-owned subsidiary, Barrick Gold U.S. Inc. On April 28, 2009, NovaGold announced the results of a feasibility study for the Donlin Creek project. Based on the feasibility study, the Donlin Creek mine has been designed as a year-round, open-pit operation. With the current 29.3 million ounce gold reserve base, the anticipated mine life is 21 years with a mill throughput of 53,500 tonnes per day. During the first five years, expected production averages 1.6 million ounces with an average total cash cost of US\$394/oz. Gold production for the first 12 years is expected to average nearly 1.5 million ounces annually at an average total cash cost of US\$444/oz. Life of mine production is estimated at an average of 1.25 million ounces of gold annually, for total recovered gold of 26.2 million ounces.

The feasibility study included a reserve/resource estimate in which a majority of the mineral resources were converted to mineral reserves. The project contains an estimated 29.3 million ounces of proven and probable gold

reserves, with an additional 6.0 million ounces of measured and indicated gold resources and 4.0 million ounces of inferred gold resources. Mineral reserves and mineral resources were estimated using a long-term gold price assumption of US\$725/oz and US\$850/oz, respectively. Mineral resources have been classified using criteria appropriate under the CIM Definition Standards by application of a net smelter return based cut-off grade which incorporated mining and recovery parameters, and constraint of the resources to a pit shell based on commodity prices. Mineral reserves were estimated based on a series of Lerchs-Grossmann pit shells, established following a number of throughput rationalization studies. The pit shell considered measured and indicated resources only. Flotation recoveries in the pit optimization varied by rock type, domain, and degree of oxidation, and ranged from 86.66% to 94.17% .

Except for the information contained under the heading *Donlin Creek Current Activities* or as otherwise stated, the scientific and technical information regarding Donlin Creek in this Prospectus is based on the technical report titled *Donlin Creek Gold Project, Alaska, USA NI 43-101 Technical Report* dated April 1, 2009 (the *2009 Donlin Technical Report* ) prepared by Kirk Hanson P.E., Gordon Seibel M.AusIMM., Simon Allard, P.Eng., Gregory Wortman, P.Eng and Alexandra Kozak P.Eng., all of whom are Qualified Persons as defined in NI 43-101. The 2009 Donlin Technical Report has been filed with the securities regulatory authorities in each province of Canada and with the SEC. Portions of the following information are based on assumptions, qualifications and procedures that are not fully described herein. References should be made to the full text of the 2009 Donlin Technical Report which is available for review on SEDAR located at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

#### ***Donlin Creek Property Description and Location***

The Donlin Creek property is an advanced-stage gold project located in southwestern Alaska and is one of the largest known undeveloped gold deposits in the world. The property is under lease for subsurface and surface rights, respectively, from Calista Corporation ( *Calista* ) and The Kuskokwim Corporation ( *TKC* ), two Native Alaskan corporations. The leased land is believed to cover 10,858 hectares (26,830 acres). The Calista lease is in effect until 2015 and so long thereafter as mining or processing operations are carried out at the Donlin Creek property or good faith efforts are being made to place a mine on the property into production. Under the Calista lease, Calista has a right, within 90 days of issuance of a feasibility study on the Donlin Creek project and in the event the Donlin Creek LLC decides to proceed with a project to achieve commercial production, to elect to acquire between a 5% and 15% participating operating interest in the project covered by the feasibility study by delivering a notice of election and payment for the elected pro rata share of project capitalized costs incurred on the project to that date. As part of its payment, Calista would receive credit for any public funding or other funding sources it secures to deliver equipment, professional services or any other goods or services or infrastructure necessary to the Donlin Creek project. If a feasibility study is also issued on an additional stand-alone operation that does not rely on the facilities or economic viability of the original facility, then Calista will have an additional mutually exclusive back-in right on the same terms with respect to that facility.

The Donlin Creek LLC holds a significant portion of the surface rights that will be required to support mining operations in the proposed mining area. Negotiations will be required for surface rights for additional lands including road rights-of-way, the proposed wind farm, airstrip, Crooked Creek, Anaconda Creek and Birch Tree Crossing ( *BTC* ) facilities and for a portion of the proposed tailings dam.

#### ***Donlin Creek Permits***

The Donlin Creek LLC has maintained all of the necessary permits for exploration and camp facilities. These permits are active at the Alaska Department of Natural Resources (hard rock exploration, temporary water use), the Corp of Engineers (individual 404 and nationwide 26), Alaska State Department of Conservation (wastewater, drinking water, food handling), the Alaska Department of Fish and Game (title 16 fish), the Environmental Protection Agency (NPDES) and the Federal Aviation Administration (airport).



Current permits have allowed exploration and associated feasibility study supporting testwork to be conducted under appropriate state and federal laws. Development of Donlin Creek will require a considerable number of additional permits and authorizations from both federal and state agencies. Much of the groundwork to support a successful permitting effort is undertaken prior to the submission of permit applications, so that issues can be identified and resolved, supporting baseline data can be acquired and regulators and stakeholders can become familiar with the proposed project.

To support successful application for the more than 60 permits required, the project will likely require extensive baseline environmental information, supporting scientific analysis and detailed engineering design. The Donlin Creek LLC and predecessors have invested significant money, resources and time acquiring this information over the last five years, and in some cases over the last 12 years. Designing the project in line with baseline data in advance of filing permit applications has resulted in a project that affords due consideration to all environmental concerns and is designed to mitigate potential impacts on the environment wherever practicable.

The comprehensive permitting process for Donlin Creek can be divided into three categories, all of which are important to the successful establishment of a future mining operation:

- Exploration-stage permitting required to obtain approval for exploration drilling, environmental baseline studies and feasibility engineering studies.
- Pre-application phase conducted in parallel with feasibility engineering studies. This stage includes the collection of environmental baseline data and interaction with stakeholders and regulators to facilitate the development of a project that can be successfully permitted.
- The National Environmental Policy Act ( NEPA ) process and formal permit applications formal agency review and analysis of the project, resulting in the issuance or denial of construction and operation permits.

Permit review timelines are controlled by the requirements of the federal NEPA review and state requirements for meaningful public and agency participation to determine if the project is in the state's best interest.

Upon completion of the NEPA review, a positive Record of Decision ( ROD ) and final issuance of permits and authorizations, the Environmental Management System ( EMS ), consisting of a number of management and maintenance plans for the project, will be fully implemented. Each federal and state permit will have compliance stipulations that require scrutiny and negotiation that can typically be resolved within 60 days of the ROD. Project delays could occur as a result of public opposition, limitations in regulatory staff resources during regulator review or project changes made by the Donlin Creek LLC.

***Donlin Creek Resource and Reserve Estimate***

The mineral reserves for the Donlin Creek project were classified using criteria appropriate under the CIM Definition Standards and have an effective date of December 31, 2008. The mineral reserves are summarized in the table below.

**Proven and Probable Mineral Reserve Statement, Effective Date December 31, 2008**

<b>Category</b>	<b>Tonnes (millions)</b>	<b>Au (g/t)</b>	<b>Contained Au (Moz)</b>
Proven	8.4	2.59	0.70
Probable	375.4	2.37	28.57
<b>Total</b>	<b>383.8</b>	<b>2.37</b>	<b>29.27</b>

Notes:

- 1) Mineral reserves are reported using an approximately 0.87 g/t Au cut-off grade and an assumed gold price of US\$725/oz.
- 2) Mineral reserves are reported on a 100% basis, of which NovaGold owns a 50% interest.
- 3) The reserve estimates for Donlin Creek are based on the technical report titled Donlin Creek Gold Project, Alaska, USA, NI 43-101 Technical Report dated April 1, 2009, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).
- 4) Sums may not agree due to rounding.

Mineral reserves were estimated based on a series of Lerchs-Grossmann pit shells, established following a number of throughput rationalization studies. The pit shell considered measured and indicated resources. The base case

parameters used in the optimizations were:

- Throughput of 53.5 kt/d and 20+ year mine life;
- Conventional open-pit mining using a combined bulk mining (12 m benches) and selective mining (6 m benches) approach;

- A long-term gold price assumption of US\$725/oz;
- Mill recoveries in the pit optimization varied by rock type, domain and degree of oxidation, and ranged from 86.66% to 94.17%;
- Slopes were determined by geotechnical domain, with bench face angle recommendations ranging from 43° to 65°, inter-ramp slope angles from 26° to 50°, and overall slope angles ranging between 26° and 47°;
- Refining, freight and marketing (selling costs) were US\$0.573/oz recovered; and
- A royalty of 3.75%, based on the gold price minus the selling cost.

The base mining cost (before incremental mining cost with depth) was \$1.68/t, the average processing cost was \$15.97/t and the general and administrative cost was \$1.61/t.

The Mineral reserves were subtracted from the total mineral resources reported from this pit optimization to determine the reported mineral resources that are exclusive of mineral reserves. During Whittle® pit optimization, incremental cut-offs can be applied to determine whether material within a pit shell is classed as potentially economic mineralization or as waste. The cut-offs assume that all material within a pit will be mined, but that at the top of the exit ramp of a pit, a choice must be made between what will report to the mill as potentially economic mineralization, and what will be sent to dumps as waste. To be considered potentially economic mineralization, the net smelter return ( NSR ) must pay back the incremental processing cost plus US\$0.01/t.

Mineral resources were classified using criteria appropriate under the CIM Definition Standards by application of the NSR-based cut-off grade that incorporated mining and recovery parameters, and constraint of the mineral resources to a pit shell based on commodity prices. The mineral resources have an effective date of December 31, 2008. The mineral resources are summarized in the table below.

#### Mineral Resource Statement, Effective Date December 31, 2008

Category	Tonnage (Mt)	Au (g/t)	Contained Au (Moz)
Measured	1.2	2.19	0.08
Indicated	93.4	1.97	5.92
<b>Total Measured and Indicated</b>	<b>94.6</b>	<b>1.97</b>	<b>6.01</b>
Inferred	54.5	2.29	4.02

Notes:

- 1) Mineral resources are reported using an approximately 0.87 g/t Au cut-off grade and an assumed gold price of US\$850/oz.
- 2) Mineral resources are exclusive of mineral reserves and are reported on a 100% basis, of which NovaGold owns a 50% interest.
- 3) The resource estimates for Donlin Creek are based on the technical report titled Donlin Creek Gold Project, Alaska, USA, NI 43-101 Technical Report dated April 1, 2009, a copy of which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).
- 4) Mineral resources that are not mineral reserves do not have demonstrated economic viability. See Cautionary Note to United States Investors .
- 5) Inferred resources have a great amount of uncertainty as to their existence and whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. See Cautionary Note to United States Investors .
- 6) Sums may not agree due to rounding.

The mineral resource estimate for the Donlin Creek project was based on a Lerchs-Grossmann pit optimized for all measured, indicated and inferred blocks assuming:

- A gold selling price of US\$850/oz;

- Mill recoveries in the pit optimization varied by rock type, domain and degree of oxidation, and ranged from 86.66% to 94.17%;
- Administrative costs estimated at US\$1.56/t;
- Refining, freight and marketing (selling costs) were estimated at US\$0.573/oz recovered; and
- A royalty of 3.75%, based on the gold price minus the selling cost.

In 2008, Barrick drilled 108 HQ/NQ core holes totaling 33,425 m, as well as auger holes and test pits for geotechnical studies, soil, stream sediment and stream concentrate geochemical samples. The 2008 drilling results are not included in the mineral resource estimate that is the basis of the feasibility study and it is unlikely that the 2008 drilling will have a material impact on the project. The 2009 drilling program at Donlin Creek comprised chilled brine geotechnical drilling to further assess permafrost in the Donlin Creek district.

### ***Donlin Creek Financial Summary***

The overall economic viability of the Donlin Creek project was evaluated by both discounted and undiscounted cash flow analyses. The project is expected to generate after-tax net cash flows of US\$1.1 billion and yield an internal IRR of 2.3%, under a long-term gold price assumption of US\$725/oz. The base case after-tax NPV (5%) of the Donlin Creek project is negative US\$733 million.

At a gold price of US\$1,000/oz the project would generate US\$8.4 billion in pre-tax cash flow and have a pre-tax NPV (5%) of US\$2.7 billion with a pre-tax IRR of 12.3%. The project is particularly sensitive to the gold price and for the purposes of the sensitivity analysis, it was assumed that the project sensitivity to changes in gold grades was mirrored by the sensitivity of the project to changes in the gold price.

The Donlin Creek project requires a gold price of US\$670/oz to break even at an oil price of US\$75/barrel. From the base case of gold at US\$725/oz and oil at US\$75/barrel, each US\$1/barrel increase in the price of oil requires approximately a US\$1.50/oz increase in the price of gold to offset the impact.

### **Project Sensitivity to Gold Price (US\$)**

<b>Item</b>	<b>Unit</b>	<b>Base Case</b>	<b>Alternative Case 1</b>	<b>Alternative Case 2</b>
Gold Price	\$/oz	725	900	1,000
Oil Price	\$/barrel	75	75	75
Undiscounted Cumulative Net Cash Flow Pre-tax	\$	1,504	5,915	8,435
Undiscounted Cumulative Net Cash Flow After-tax	\$	1,103	4,166	5,876
NPV (5%) Pre-tax	\$	(592)	1,525	2,735
NPV (5%) After-tax	\$	(733)	829	1,674
IRR Pre-tax	%	3.0	9.4	12.3
IRR After-tax	%	2.3	7.7	10.2
Payback	Years	15	7	5

### **Project Sensitivity to Oil Price (US\$) (US\$725/oz Au price)**

<b>Oil Price (\$/barrel)</b>	<b>Net Cash Flow (\$M)</b>	<b>NPV @ 5% (\$M)</b>	<b>IRR (%)</b>
35	2,106	(236)	4.2
50	1,744	(415)	3.5
75	1,103	(733)	2.3
100	430	(1,069)	0.9

### **Donlin Creek Project Financial Summary (US\$) (Base Case US\$725/oz)**

<b>Item</b>	<b>Unit</b>	<b>LOM</b>	<b>\$/oz</b>	<b>\$/t milled</b>	<b>\$/t mined</b>
Total Mined	Mt	2,567.7			
Ore Milled	Mt	383.8			
Strip Ratio (waste tonnes:ore tonnes)	t:t	5.69			

Edgar Filing: NOVAGOLD RESOURCES INC - Form SUPPL

Gold Grade	g/t	2.37
Contained Gold	Moz	29.269
Gold Recovery	%	89.5
Recovered Gold	Moz	26.184
Mine Life	Years	21
		16

---

Item	Unit	LOM	\$/oz	\$/t milled	\$/t mined
Oil Price	\$/barrel	75			
Revenue	\$M	18,983	725		
Mining Costs	\$M	5,226	200	13.62	2.08
Processing Cost	\$M	5,664	216	14.76	2.26
G&A	\$M	590	23	1.54	0.24
Refining	\$M	44	2	0.11	0.02
Operating Costs	\$M	11,524	440	30.03	4.60
Royalties	\$M	693	26	1.81	0.28
Total Cash Costs	\$M	12,217	467	31.84	4.87
Other Revenue	\$M	(156)	(6)	(0.41)	(0.06)
Depreciation (Excluding Sunk Costs)	\$M	5,242	200	13.66	2.09
Trust Fund	\$M	179	7	0.47	0.07
Total Production Costs	\$M	17,481	668	45.55	6.97
Cash Taxes	\$M	402	15	1.04	0.16
Working Capital, Net	\$M	(2)	-	(0.01)	0.00
Total Costs, Including Taxes and Working Capital	\$M	17,881	683	46.59	7.13

#### ***Donlin Creek Planned Mining Operations***

Throughput studies were performed during 2007-2008 and mine design and production schedules were developed for a nominal mill throughput of 19.5 Mt/a, or 53,500 t/d. Open pit mining on both 6 m and 12 m high benches provided the best project economics. Approximately 40% of the ore and 19% of the waste, or 22% of the total tonnage, is planned to be selectively mined on 6 m benches.

Mining operations are envisaged as 355 days per year, with ten days allowed for delays due to winter conditions; however, the plant is provisionally scheduled to operate 365 days per year. Maximum vertical advance per phase per year is sixteen 6 m benches. Where the vertical advance rate is more than ten 6 m benches per year, some or all benches will be 12 m high so that the combined vertical development rate does not exceed ten benches per year.

The ACMA pit has a top elevation of 268 m above sea level ( masl ), cuts across the American Creek drainage at 178 masl, and has a bottom elevation of 272 m below sea level ( mbsl ). The grade of the gold mineralization in ACMA is higher than in the Lewis area. The Lewis pit is on a hill directly above and to the northeast of the ACMA pit, at elevations ranging from 436 masl to 56 mbsl.

A set of fourteen mining phases were designed, eight in the ACMA pit and six in the Lewis pit. This sequence aims to deplete ACMA as early as possible to maximize use of the waste backfill dump designed inside the pit while minimizing deviation from the optimal economic mining sequence. The initial phases of the two pits are independent, but they partially merge later in the mine life.

Donlin Creek is envisaged to be mined by a conventional truck-and-shovel operation. Initial pioneering and pit development will be undertaken to remove overburden, develop mine access roads suitable for large mining equipment, and face-up the initial pit into productive set-ups for the large shovel and mining equipment.

Large hydraulic shovels mining the full 12 m benches will be the primary loading equipment in zones of waste and steeply dipping ore. The same primary shovels will be used on the 6 m split benches, thereby avoiding the need for a mixed fleet of hydraulic shovels. Large 360 t capacity haul trucks will be used for transporting both ore and waste out of the pit.



Haul roads are designed at 10% maximum grade for uphill loaded haulage and at a maximum of 8% for downhill loaded haulage. The final road width design is 40 m.

Blasting will be required. Blast hole drilling in predominantly waste areas will be performed with nominal 251 mm diameter production drills. Ore zones will be drilled on a single 12 m bench with 200 mm diameter holes or a single 6 m bench with 140 mm diameter holes, depending on the size and continuity of the ore blocks outlined by grade

control drilling. All blasting will be based on 70% emulsion / 30% ammonium nitrate/fuel oil, which will be manufactured on site.

Support equipment will be used for road, bench, and dump maintenance and miscellaneous projects. Track dozers and rubber-tired dozers will spot loads and maintain the waste spoil dumps. A fleet of graders will maintain the roads. Crushed rock will be provided to help maintain good roads and improve truck tire life. Water trucks will spray roads and working areas during dry and dusty periods. Small backhoes will be used for ditch work and other dewatering projects. Dozers will be used on larger construction projects such as re-contouring waste dumps and spreading reclamation materials.

The projected total labor force complement for mine operations, maintenance, engineering and contractors is 442 at start-up, peaks at 646 in Year 11 and decreases to 83 in the final full year of pit operation.

### ***Donlin Creek Proposed Production Plan and Schedule***

The operating mine life is estimated to be 20+ years based on the nominal processing rate of 53,500 t/d. Mine startup is proposed for 2015, ceasing in 2034. The processing rate is variable from period to period as a function of sulphur grade and ore hardness. To maximize plant utilization, long-term ore stockpiling is required to balance sulphur feed grades. Short-term stockpiling will also be required to handle crusher downtime and production fluctuations in the pit.

Preproduction covers the first 15 months of the mine plan, when mining activities will focus on providing sufficient ore exposure for plant start-up. Ore mined during preproduction will be stockpiled and rehandled to the mill during operations. Average production during the production stage will be 335 kt/d. The peak rate of 425 kt/d is reached in Year 7. Mining is initially focused on the ACMA pit to access the highest-value ore.

### ***Donlin Creek Geotechnical***

BGC Engineering ( BGC ) provided feasibility-level slope design criteria for the Donlin Creek open pit. Slope design criteria for the bench scale (including bench face angle and berm widths), inter-ramp scale (inter-ramp angle) and overall slope scale (overall angle) were determined from geotechnical data collected and analyzed by BGC between 2004 and 2008.

Four geotechnical domains were identified:

- Domain I represents the moderately southwest dipping monocline that hosts the entire proposed Lewis pit. Major faults include the Rochelieu Ridge, Vortex and Lo Faults. Seven minor fault sets were identified, as well as a fault set that parallels the Vortex fault. Bench face angle recommendations range from 43° to 65°, inter-ramp slope angles from 32° to 46.5°, and overall slope angles range between 32° and 46°.
- Domain II includes the west syncline limb between syncline axial trace and anticline axial trace. Folding has resulted in complex bedding sets. Faults include the Lo and Vortex Faults. Bench face angle recommendations are 65°, inter-ramp slope angles from 26° to 35.5°, and overall slope angles range between 26° and 35.5°.
- Domain III comprises steeply-dipping sediments that have two bedding sets, and includes all of the sedimentary geotechnical units except the basal shale. The Lo and Vortex faults lie in the southern part of this domain, while the AC and ACMA faults divide Domain III from Domain IV. Bench face angle recommendations are 65°, inter-ramp slope angles from 28° to 47°, and overall slope angles range between 28° and 47°.
- Domain IV geotechnical units are the mid-shale, mid-greywacke, upper shale, and upper greywacke. The sediments occur as beds dipping moderately to the southwest. The mine-scale geological model interprets the bedding as dipping steeply at depth, similar to that observed in Domain III. The feasibility-level structural database, which is currently based on a limited number of exploration core holes, does not support this interpretation. Major faults identified in the areas of the two pits include the AC, ACMA, Vortex, Hello,

Upper Lo and Lo. Six minor fault sets were identified, as well as sets that parallel the AC

Fault and sub-parallel the Lo Fault. Bench face angle recommendations are 65°, inter-ramp slope angles from 30.5° to 50°, and overall slope angles range between 30.5° and 45°.

Two areas were noted that will require detailed geotechnical management: the northeast wall of the Lewis pit and the south-southwest wall of the ACMA pit. All slopes require depressurization. Those that need complete depressurization on the overall slope scale to minimize the potential of rock mass failures include: the South wall of the ACMA pit, the South wall of the Lewis pit and the Footwall slope of the Lewis pit.

### ***Donlin Creek Waste Dumps***

Waste rock from open pit mining will be placed in an ex-pit waste rock facility in the American Creek Valley, east of the pit area, or in a backfill dump in ACMA. The ultimate footprint of the facility covers an area of approximately 9.6 km<sup>2</sup>. With the elevation of the top lift of the dump at approximately 550 masl, the maximum dump height will be about 350 m and the maximum thickness about 290 m. The waste rock facility will be developed entirely from the bottom up. Construction of the first lift will begin at the start of the preproduction period. Most of the waste rock facility will be constructed in 30 m lifts.

The potential magnitude of flow in the American Creek drainage, as well as discharge from springs in the valley floors, warrants the construction of an engineered rock drain system below the waste rock facility, including connecting secondary rock (finger) drains in the smaller contributing drainages. The rock drains were sized to contain the peak instantaneous flow associated with the 100-year return period, 24-hour duration rainfall event for American Creek.

Sufficient overburden will be stored separately for use in final site reclamation; the remainder will be dumped into the waste rock facility or used for construction and concurrent reclamation. A total of 1.69 Gt of waste will be stored in the waste rock facility and another 404 Mt in the ACMA backfill dump. Backfilling will commence in Year 15 and continue until the end of mine life.

A total of 38 Mt of in-pit overburden will be mined at Donlin Creek, of which 7.7 Mt of peat and loess and 9.6 Mt of colluvium/terrace gravel will be stockpiled over the LOM to meet site reclamation requirements. The remainder will be stored within the waste rock facility. Where overburden directly removed from the pit is unavailable, it will be reclaimed from the stockpiles. Some 17.3 Mt of overburden will be stored in overburden stockpiles.

Waste rock was characterized by its potential for acid generation and was assigned reactivity categories. Categories 1 to 4 are non-acid-generating ( NAG ), and categories 5 to 7 are potentially acid-generating ( PAG ). Waste rock consists of NAG and PAG rock from the ACMA and Lewis pits. PAG-7 rock will potentially start producing acid in less than a few years, PAG-6 in less than a decade, and PAG-5 after several decades. PAG-5 rock will be blended with NAG rock when placed in the waste rock facility; the NAG rock has enough neutralizing potential to prevent the PAG-5 waste from producing acid. PAG-6 waste will initially be placed in encapsulated cells in the waste rock facility. Water infiltration into this cell will be minimized by a cover of compacted colluvium or terrace gravel.

The PAG-7 waste will ideally be used to construct the water reclaim structure in the tailings impoundment. This point will require addressing during detailed design and operational scheduling. Additional PAG-7 waste will be stockpiled in the long-term ore stockpile area. The stockpiled PAG-7 waste will then be rehandled into the ACMA pit below the final pit lake water level.

The waste rock facility was designed to meet or exceed a factor of safety ( FS ) of 1.5 under static loading conditions and an FS of 1.1 under seismic (pseudo-static) loading. The stability of the waste rock facility exceeds these design criteria.

Concurrent reclamation of the waste rock facility will be undertaken during operations as area becomes available.

*Donlin Creek Hydrology*

The main objectives of the water management plan for the project are to minimize or eliminate the need for treatment and discharge of contact water during mine construction, operations, and closure; to achieve the pit-slope depressurization requirements; and to provide adequate quantity and quality of water supply to the mill.

The project is expected to operate with an overall water surplus, based on the large catchment areas of the American Creek and Anaconda Creek drainage basins, which will yield large volumes of water during the spring and summer (April to October) from rainfall, snowmelt run-off and groundwater base flow.

ACMA pit will transect American Creek near its confluence with Crooked Creek in Year 1 of operations, and the waste rock facility will ultimately occupy a significant proportion of the remaining American Creek basin upstream from the pit. Contact water will be stored behind a dam in American Creek, and tailings will be stored in the adjacent Anaconda Creek basin. Staged diversion structures will be required to divert fresh water out of the project area during construction, operations, and closure.

### ***Donlin Creek Proposed Tailings Storage***

The tailings storage facility in the Anaconda Creek basin will be a fully lined impoundment with cross valley dams at both the upstream ( upper dam, comprising upper north and upper south) and downstream ( main dam) ends.

All tailings dams will be constructed of compacted rock fill using the downstream method with a composite liner on the upstream face. The tailings impoundment footprint will be lined with a linear low density polyethylene liner over a layer of broadly graded silty sand and gravel acting as low permeability bedding material and providing secondary containment. Material for construction will be sourced from the plant site and fuel farm during initial construction and from the open pit for the later raises during operations.

Based on the flood and tailings storage requirements, the starter dams are required to store one year of tailings, plus flood and freeboard, and will be 52 m high for the main dam, while the upper north and upper south dams will be 16 m and 12 m, respectively. Ultimate heights will be 144 m for the main dam and 105 m for the upper dam, measured from the downstream toe to the crest. The tailings storage facility will have an ultimate capacity of 311.43 Mm<sup>3</sup>, corresponding to an ultimate impoundment surface area of 549 ha. The total catchment area of the tailings storage facility will be 705 ha.

The tailings storage facility was designed to meet appropriate dam safety guidelines. The tailings storage facility inflow design flood was the 200-year return period snowmelt and 24-hour probable maximum precipitation. The stability of the tailings dams yielded static and pseudo-static factors of safety of 1.5 and 1.15, respectively. The tailings storage facility was designed to withstand the maximum credible earthquake.

Water dams are required during the construction period and initial years of operation to protect the lined upstream faces of the upper north and south tailings starter dams from a significant flood event, to provide a reliable source of fresh water during operation of the process plant, and to minimize runoff to the tailings storage facility. The water dams will be incorporated into the downstream toe of the upper dams and are planned to be constructed simultaneously with the starter dams before tailings placement. The north and south freshwater reservoirs will reach maximum depths of 19 m and 8.5 m, respectively. Based on storage requirements, the north water dam will be 42 m high and the south water dam 33 m high.

### ***Donlin Creek Infrastructure***

Current site infrastructure comprises an all-season, soft-sided camp with facilities to house up to 150 people consisting of kitchen, living quarters, equipment shop, drill shack and other buildings required for support of year-round exploration activities.

There is sufficient area within the project to host an open-pit mining operation, including any proposed open pit, waste dumps, tailings and process facilities. The Donlin Creek LLC has secured the majority of the surface rights for the areas that may host these facilities.

Crooked Creek has approximately 140 residents and Aniak has a population of approximately 570. The workforce for the project would be sourced from the local area, and from Alaskan regional centres.

The project is a greenfields site. In addition to the proposed plant site at the mine, the main proposed development sites are the wind farm, an airstrip, barge terminals at Bethel and BTC and an access road connecting BTC to the mine site.

### *Planned Off-site Infrastructure*

The entire road will be new construction in an untracked region, with no passage through or near any settlements or communities, and no junctions with any existing road system. Forty-three stream crossings were identified along the BTC route. Of these, eight require bridges directly along the road, and one more crosses Getmuna Creek to access the major Getmuna Flats material site. Bridge lengths vary from 10 m to 35 m.

The primary purpose of the road is to transport freight by mostly conventional highway tractors and trailers. However, critical elements of the design will be dictated by specific oversize and overweight loads associated with mine facility construction. Only mine support traffic will use the road, and the design assumes that mine operations will control and manage traffic on the road.

The fuel pipeline from the BTC port site to the mine site was incorporated into the road alignment. The pipeline will be buried where it passes through areas of thaw-stable ground and supported above ground on piled foundations where the ground is susceptible to instability.

### *Planned Site Infrastructure*

Planned site infrastructure comprises: access roads, airstrip, accommodation camp, plant site and fuel storage, primary and pebble crushers, coarse ore conveyor and coarse ore stockpile, concentrator, water treatment plants, boiler house, utilidors and access walkways, waste and tailings storage facilities, truck shop, truck wash, workshops and vehicle repair facilities, assay laboratory, administration facilities and change rooms.

The plant site and fuel storage compound are located in the Anaconda Valley, above the tailings storage area. This arrangement contains the process areas within the Anaconda and American Creek Valleys, with essentially no impact on Crooked Creek.

The primary crusher is located on a ridge on the south side of American Creek. This location is compatible with the mining plan, haul road layouts, and ultimate pit limits as well as the location of the contact water dam and contact water pond. The crusher was orientated to make use of the southern slope of the ridge, minimize the length of the conveyor, and permit the design of the vertical and horizontal alignment to tie into the coarse ore stockpile at the plant site. The process plant was orientated on the plant site to take advantage of the natural topography, with the long axis of the plant following the slope of the rounded hill to the south.

### *Donlin Creek Power*

The project is currently isolated from power and other public infrastructure and power is provided by diesel generators. Electric power for the project site is planned to be generated from a diesel oil-fuelled combined-cycle gas turbine power plant and a standby/peaking diesel power plant.

A wind farm consisting of 14 wind turbine generators, each with a nominal peak output of 2.5 MW, will also be installed. Under average conditions, the wind farm will contribute approximately 7.5% of the yearly energy requirements of the project.

Given their synergistic roles, the gas turbine and diesel power plants will be located adjacent to each other. To minimize electrical distribution costs and load losses, they will be near the two major process electrical loads: the oxygen plant and the grinding building. The wind farm will be installed on Juningguira Mountain, approximately 12 km southwest of the Donlin Creek mine site, and will be connected to the site with a 69 kV transmission line running to a substation located at the mine site.

### *Donlin Creek Water*



Water requirements for the planned process facilities depend on mill feed rates and vary annually. Water will primarily be sourced from contact dam/pit dewatering. However, in years with average and below-average precipitation, the contact water pond and pit dewatering system will not be able to meet the year-round freshwater requirements for the plant. In this case, additional water will be obtained from the north and south freshwater reservoirs upstream of the tailings storage facility.

The source of water supply for the construction camp and, later, the plant site potable water systems is an array of eight deep wells south of Omega Gulch, near Crooked Creek. Potable water for the permanent accommodation complex will be supplied from another array of four wells approximately 2.4 km southwest of the camp.

### *Donlin Creek Proposed Mine Closure Plan*

In its ongoing efforts at Donlin Creek, the Donlin Creek LLC recognizes that its responsibility to the communities of the Yukon-Kuskokwim Delta extends beyond exploration, development and operations to the even more critical stage of mine closure. Since the very inception of the Donlin Creek exploration program, there was a conscious effort to design exploration, development and operations for closure. By designing for closure at a very early stage in the life of a project, the potential cumulative impacts on the physical resources of the area and the post-closure impact on local communities can be addressed. Realizing that the project clearly has a role to play in contributing to the long-term sustainability of the communities surrounding the project, planning for closure in collaboration with state and local authorities is essential.

In addition to the basic goal to reclaim disturbances associated with mining, processing and ancillary support facilities in a manner compatible with the designated post-mining land use, careful planning will minimize the area affected by the operations. During operations, whenever possible, concurrent reclamation will be performed in those areas that are no longer required for active mining.

The Donlin Creek LLC expects to complete a Closure Social Impact Assessment, targeted for three years prior to closure of any operation. While appropriate planning of sustainable community projects support the long-term sustainability of nearby communities, the Closure Social Impact Assessment will focus on the net positive benefits from the operation and identify alternative uses for the skills and infrastructure that were developed during operations.

Closure planning also includes assisting employees with identifying new career opportunities as appropriate. Where possible, the goal is to offer continuing employment opportunities or, alternatively, offer out-placement services to employees who are not able to relocate.

Reclamation and closure of the project falls under the jurisdiction of the Alaska Department of Natural Resources (ADNR) Division of Mining, Land, and Water Management; the Alaska Department of Environmental Conservation; the U.S. Army Corps of Engineers; and the U.S. Environmental Protection Agency. The Alaska Reclamation Act (Alaska Statute AS 27.19) is administered by the ADNR and applies to state, federal, municipal, and private land and water subject to mining operations. Except as provided in an exemption for small operations, a miner may not engage in a mining operation until the ADNR has approved a reclamation plan for the operation.

The ADNR may enter into a cooperative management agreement with the federal government or other state agencies to implement a requirement of the Reclamation Act or a regulation adopted under it. The Closure and Reclamation Plan for a mining project that involves both federal and state permits requires joint approval. Financial surety for mine closure and reclamation is a requirement of federal and state agencies. ADNR has historically been the agency that holds the surety for both. The approved plan and associated surety are reviewed and revised at five-year intervals. The landowner participates in the planning process with regard to determining and concurring with the designated post-mining land use.

A modified version of the Barrick Reclamation Cost Estimator was used to develop reclamation and closure cost estimates. Estimated costs are based on the project as currently presented, with the realization that closure and reclamation plans and costs will be routinely updated throughout the detailed design phase and during operations.

The final reclamation cost estimate is US\$96.1 million. This amount is included in a Reclamation, Closure and Post-Closure Maintenance Trust Fund model prepared to determine the funding that is required to generate sufficient cash flow to cover costs for tunnel construction from Anaconda Creek to Crevice Creek, capital to construct the water

treatment plant ( WTP ), perpetual water treatment, and associated facility and access maintenance. The total amount to cover reclamation and closure costs and post-reclamation and closure maintenance is estimated at US\$7.44 million, paid annually over the three-year construction and 20-year LOM.

Various pit-lake filling options were modeled to assess filling rates, physics, and geochemistry, with the intent of ultimately predicting the quality of water that would eventually discharge from the ACMA pit lake into the receiving environment, approximately 45 years after cessation of mining operations.

The WTP will use chemical precipitation technology to target dissolved elements such as arsenic, antimony and manganese. Since the water quality predictions also indicate elevated levels of selenium and sulphate, reverse osmosis technology will be used to decrease levels to below discharge limits. Reverse osmosis represents the best available technology for the removal of selenium. The sludge from the WTP will be a chemically stable material and will be sent to the bottom of the open pit for final storage. It is currently anticipated that the water stored in the pit after closure will not meet the water quality criteria for a few parameters and will require treatment before discharge into Crooked Creek.

### ***Donlin Creek Markets***

The marketing plan is for the members of the Donlin Creek LLC to take in kind their respective shares of the gold production, which they can then sell for their own benefit. Under the agreement, the manager shall give the members prompt notice in advance of the delivery date upon which their respective shares of gold production will be available.

Since there are a large number of available gold purchasers, the members should not be dependent upon the sale of gold to any one customer. Gold can be sold to various gold bullion dealers or smelters on a competitive basis at spot prices.

Spot prices are determined by open markets. The London Gold Fixing is the procedure by which the price of gold is set on the London market by five members of the London Gold Pool (who are all members of the London Bullion Market Association). The London Gold Fixing is designed to fix a price for settling contracts between members of the London bullion market but is internationally recognized as a benchmark for gold prices and is used in the pricing of the majority of gold products throughout the world's markets.

It is expected that selling contracts for NovaGold's share of the gold production will be typical of, and consistent with, standard industry practice, and be similar to contracts for the supply of doré elsewhere in the world.

### ***Donlin Creek Taxation***

Taxes that may be levied on the project can be summarized as follows:

- Federal Income Tax – the greater of the U.S. Regular Tax of 35% or Alternative Minimum Tax of 20%.
- Alaska State Income Tax – 9.4% of income over US\$90,000.
- Alaska State Mining License Tax – 7% of taxable mining income, less depletion. There is a 3.5-year tax holiday on the mining license tax.

Income tax becomes payable after deductions for capital allowances.

### ***Donlin Creek Cost Estimates***

The feasibility study capital cost estimate was developed in accordance with Association for the Advancement of Cost Engineering (AACE) Class 3 requirements, consisting of semi-detailed unit costs and assembly line items. The level of accuracy for the estimate is  $\pm 15\%$  of estimated final costs, per AACE Class 3 definition.

Costs expressed in third-quarter (Q3) U.S. dollars were subsequently de-escalated using a de-escalation model to adjust the estimate to fourth-quarter (Q4) 2008 U.S. dollars. No allowances are included for escalation through construction, interest during construction, taxes or duties.

The de-escalation model determines potential savings to the project due to the global recession and downturn of the world economies since the Q3 2008 pricing. There was a significant reduction in world commodity prices in Q4 2008, particularly in metal prices within the mining industry. Costs in the estimate that were priced in either

Q4 2008 or January 2009 U.S. dollars were not included in the de-escalation model. The model provides a Monte Carlo-type simulation that also includes currency impacts. The model looks at the minimum line and the base line estimate (Q3 2008 U.S. dollars) as the maximum. The result, depending on which probability factor is used, will determine the outcome. A probability factor (P50) was used for de-escalation in the estimate.

The total estimated cost to design and build the project is US\$4,481 million, including an owner-provided mining fleet and self-performed pre-production mine development. Sustaining capital requirements total US\$803 million.

### *Donlin Creek Financial Analysis*

The overall economic viability of the project was evaluated by both discounted and undiscounted cash flow analyses, based on the engineering studies and cost estimates discussed in this study. Assumptions in the model comprised:

- For discounted cash flow (or NPV) purposes, the model is based from January 1, 2009. Estimates were prepared for all the individual elements of cash revenue and cash expenditures for ongoing operations.
- Estimated cash flows from revenue are based on a gold price of US\$725/oz as provided by the Donlin Creek LLC, which is the price used for reporting the 2008 mineral reserves. The pit has also been optimized at the same gold price of US\$725/oz. At the effective date of the 2009 Donlin Technical Report, gold was trading at around US\$950/oz.
- Recovery is estimated to average 89.5% over the LOM based on work and testing performed for feasibility study and feasibility study update purposes.
- Doré refining and shipping charges were estimated at US\$0.95/oz based on actual refining charges for Barrick's Goldstrike operations and a quotation for transportation and insurance costs from the Donlin Creek mine site to a U.S.-based refinery. An additional 0.1% of gold produced from the mine is included in refining costs. This amount represents the refiner's estimate of the loss of gold that will occur during the refining process.
- The current hydrometallurgical process selection renders any contained silver into a greater refractory state, which provides less than 10% silver recovery through standard metal leaching. As a consequence, no silver credit was applied to the project.
- Assets will be sold over the course of the mine life, when they are no longer required for project-based work, as well as at the end of the mine life. Total recovered value from these sales is estimated at US\$33 million.
- Reclamation and closure costs were estimated at US\$96 million and are primarily incurred in the first five years after the mine closes (2035 to 2039), although some expenditures begin immediately after construction and during operations with concurrent reclamation. The funding amount that is required to generate sufficient cash flow to cover costs for tunnel construction from Anaconda Creek to Crevice Creek, employee severance payments, capital to construct the WTP for perpetual water treatment, and associated facility and access maintenance, as well as closure costs, is estimated at US\$7.44 million provided annually over the three-year construction and 20+ year LOM, for a total of US\$179 million.
- During the non-shipping season (October through May), the project-owned barging fleet will be leased for other haulage uses. The total net revenue determined from this leasing arrangement is estimated at US\$166 million. Of this amount, US\$10 million earned during preproduction was credited against initial capital costs. The remaining US\$156 million is credited against operating costs.
- Inventory, including 85% of consumables, is included in the financial model as cash outflows in the year before start-up of operations. Other warehouse inventory, excluding capital spares, is estimated at approximately US\$25.3 million by the Donlin Creek LLC and was developed from first principles based on the value and quantity drivers of warehouse inventory held by Barrick's Goldstrike operation.

The project is expected to generate net cash flows of US\$1.1 billion and yield an IRR of 2.3%, under a long-term gold price assumption of US\$725/oz. The base case NPV (5%) of the project is a negative US\$733 million. At US\$1,000/oz (Alternative Case 2) the project has an NPV (5%), after tax, of US\$1,674 million and an after-tax IRR of 10.2% .

From the base case of gold at US\$725/oz and oil at US\$75/barrel, each US\$1/barrel increase in the price of oil requires approximately a US\$1.50/oz increase in the price of gold to offset the impact. The base case gold price assumed in the sensitivity analysis is US\$725/oz. For the purposes of the sensitivity analysis, the Donlin Creek LLC assumed that the project sensitivity to changes in gold grades was mirrored by the sensitivity of the project to changes in the gold price.

***Donlin Creek Interpretation and Conclusions***

AMEC reviewed the information incorporated in the 2009 Donlin Technical Report, together with supporting data supplied by NovaGold, the Donlin Creek LLC and the Donlin Creek feasibility study update. As a result, AMEC concluded:

- The tenure and surface rights are valid for the Donlin Creek area, and can support declaration of mineral reserves and mineral resources. Additional surface rights will need to be acquired to support planned infrastructure at Bethel and BTC and for a portion of the proposed tailings dam. A right-of-way will be required from the State of Alaska for the road alignment where it crosses state lands. Negotiations will also be required for lands needed for the wind farm. Negotiations regardile="font-family: Times\ New\ Roman; font-size: 13px;">

PEOPLES BANCORP OF NORTH CAROLINA, INC.

Consolidated Statements of Cash Flows

Three Months Ended March 31, 2018 and 2017

(Dollars in thousands)

2018

2017

(Unaudited) (Unaudited)

## Cash flows from operating activities:

Net earnings	\$3,303	2,205
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization and accretion	1,230	1,228
Provision for/(Reduction) loan losses	31	(236)
Deferred income taxes	(3)	(1,122)
Gain on sale of other real estate	(6)	-
Write-down of other real estate	-	283
Loss on sale of premises and equipment	2	33
Restricted stock expense	57	430
Proceeds from sales of mortgage loans held for sale	8,530	18,376
Origination of mortgage loans held for sale	(8,176)	(14,007)
Change in:		
Cash surrender value of life insurance	(95)	(299)
Other assets	(742)	1,302
Other liabilities	(319)	(1,523)
Net cash provided by operating activities	3,812	6,670
Cash flows from investing activities:		
Purchases of investment securities available for sale	-	(3,071)
Proceeds from sales, calls and maturities of investment securities available for sale	7,630	2,830
Proceeds from paydowns of investment securities available for sale	5,159	5,152
Purchases of FHLB stock	(4)	(44)
Net change in loans	(6,146)	(12,101)
Purchases of premises and equipment	(434)	(2,647)
Proceeds from sale of other real estate and repossessions	124	-
Net cash provided (used) by investing activities	6,329	(9,881)
Cash flows from financing activities:		
Net change in deposits	672	15,496
Net change in securities sold under agreement to repurchase	500	5,729
Proceeds from Fed Funds purchased	850	-
Repayments of Fed Funds purchased	(850)	-
Cash dividends paid on common stock	(783)	(658)
Net cash provided by financing activities	389	20,567
Net change in cash and cash equivalents	10,530	17,356



Edgar Filing: NOVAGOLD RESOURCES INC - Form SUPPL

Cash and cash equivalents at beginning of period	57,304	70,094
Cash and cash equivalents at end of period	\$67,834	87,450

7



PEOPLES BANCORP OF NORTH CAROLINA, INC.

Consolidated Statements of Cash Flows, continued

Three Months Ended March 31, 2018 and 2017

(Dollars in thousands)

	2018	2017
	(Unaudited)	(Unaudited)

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$290	297
Income taxes	\$-	-

Noncash investing and financing activities:

Change in unrealized gain on investment securities available for sale, net	\$(2,013)	604
----------------------------------------------------------------------------	-----------	-----

Edgar Filing: NOVAGOLD RESOURCES INC - Form SUPPL

Issuance of accrued restricted stock units	\$-	(558)
Transfers of loans to other real estate and repossessions	\$62	-

See accompanying Notes to Consolidated Financial Statements.



PEOPLES BANCORP OF NORTH CAROLINA, INC.

Notes to Consolidated Financial Statements (Unaudited)

(1)

Summary of Significant Accounting Policies

The consolidated financial statements include the financial statements of Peoples Bancorp of North Carolina, Inc. and its wholly owned subsidiary, Peoples Bank (the “Bank”), along with the Bank’s wholly owned subsidiaries, Peoples Investment Services, Inc. (“PIS”), Real Estate Advisory Services, Inc. (“REAS”), Community Bank Real Estate Solutions, LLC (“CBRES”) and PB Real Estate Holdings, LLC (collectively called the “Company”). All significant intercompany balances and transactions have been eliminated in consolidation.

The Bank operates three banking offices focused on the Latino population that were formerly operated as a division of the Bank under the name Banco de la Gente (“Banco”). These offices are now branded as Bank branches and considered a separate market territory of the Bank as they offer normal and customary banking services as are offered in the Bank’s other branches such as the taking of deposits and the making of loans.

The consolidated financial statements in this report (other than the Consolidated Balance Sheet at December 31, 2017) are unaudited. In the opinion of management, all adjustments (none of which were other than normal accruals) necessary for a fair presentation of the financial position and results of operations for the periods presented have been included. Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”). Actual results could differ from those estimates.

The Company’s accounting policies are fundamental to understanding management’s discussion and analysis of results of operations and financial condition. Many of the Company’s accounting policies require significant judgment regarding valuation of assets and liabilities and/or significant interpretation of the specific accounting guidance. A description of the Company’s significant accounting policies can be found in Note 1 of the Notes to Consolidated Financial Statements in the Company’s 2017 Annual Report to Shareholders which is Appendix A to the Proxy Statement for the May 3, 2018 Annual Meeting of Shareholders.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, (Topic 606): Revenue from Contracts with Customers. ASU No. 2014-09 provides guidance on the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU No. 2014-09 is effective for reporting periods beginning after December 15, 2017.

The Company has applied ASU No. 2014-09 using a modified retrospective approach. The Company’s revenue is comprised of net interest income and noninterest income. The scope of ASU No. 2014-09 explicitly excludes net interest income as well as many other revenues for financial assets and liabilities including loans, leases, securities, and derivatives. Accordingly, the majority of the Company’s revenues are not affected. Appraisal management fee income and expense from the Bank’s subsidiary, CBRES, was previously reported as a net amount, which was included in miscellaneous non-interest income. This income and expense is now reported on separate line items under non-interest income and non-interest expense. See below for

attditional information related to revenue generated from contracts with customers.

#### Revenue and Method of Adoption

The majority of our revenue is derived primarily from interest income from receivables (loans) and securities. Other revenues are derived from fees received in connection with deposit accounts, investment advisory, and appraisal services. On January 1, 2018, we adopted the requirements of ASU No. 2014-09. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.





The Company adopted ASU No. 2014-09 using the modified retrospective transition approach which does not require restatement of prior periods. The method was selected as there were no material changes in the timing of revenue recognition resulting in no comparability issues with prior periods. This adoption method is considered a change in accounting principle requiring additional disclosure of the nature of and reason for the change, which is solely a result of the adoption of the required standard. When applying the modified retrospective approach under ASU No. 2014-09, the Company has elected, as a practical expedient, to apply this approach only to contracts that were not completed as of January 1, 2018. A completed contract is considered to be a contract for which all (or substantially all) of the revenue was recognized in accordance with revenue guidance that was in effect before January 1, 2018. There were no uncompleted contracts as of January 1, 2018 for which application of the new standard required an adjustment to retained earnings.

The following disclosures involve our material income streams derived from contracts with customers which are within the scope of ASU No. 2014-09. Through our wholly-owned subsidiary, PIS, we contract with a registered investment advisor to perform investment advisory services on behalf of our customers. We receive commissions from this third party based on the volume of business that our customers do with them. Total revenue recognized from these contracts for the three months ended March 31, 2018 was \$182,000. The Company utilizes third parties to contract with our customers to perform debit and credit card clearing services. These third parties pay us commissions based on the volume of transactions that the process on behalf of our customers. Total revenue recognized for the three months ended March 31, 2018 from the contract with this third party was \$936,000. Through our wholly-owned subsidiary, REAS, we provide property appraisal services for negotiated fee amounts on a per appraisal basis. Total revenue recognized for the three months ended March 31, 2018 from these contracts with customers was \$143,000. Through our wholly-owned subsidiary, CBRES, we provide appraisal management services. Total revenue recogni