

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE NOVAGOLD RESOURCES INC.
SECURITIES LITIGATION

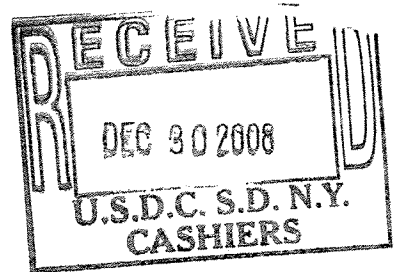
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CLASS ACTION

JURY TRIAL DEMANDED



CORRECTED CONSOLIDATED CLASS ACTION COMPLAINT

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The New Orleans Employees' Retirement System ("Lead Plaintiff" or "New Orleans"), by and through its counsel, brings this class action for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 (the "Securities Act"). Under Federal Rules of Civil Procedure 23(a) and (b)(3), New Orleans brings this action on behalf of a class consisting of all those who purchased or otherwise acquired NovaGold Resources Inc. ("NovaGold" or the "Company") common stock between October 25, 2006, and November 23, 2007, inclusive (the "Class Period"), either in NovaGold's secondary offering (defined below at ¶208), pursuant to the Registration Statement (defined below at ¶208), or in the open market (the "Class"), and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the corporate defendants, members of the immediate families of any excluded person, the legal representatives, heirs, successors, or assigns of any excluded person or entity, and any entity in which defendants have or had a controlling interest.

Lead Plaintiff alleges the following based upon personal knowledge as to itself and as to other matters upon the investigation of Lead Counsel, which included, among other things, a review of public filings with the United States Securities and Exchange Commission (the "SEC") and with the Provincial and Territorial Canadian Securities Administrators on the System for Electronic Document Analysis and Retrieval ("SEDAR"); press releases; articles in the general and financial press and on news wire services; and witness interviews.

I. NATURE OF THE ACTION

1. NovaGold, a mining exploration company, had a singular purpose: to rise from the ranks of the mining world's "cowboys" to become a mining producer and peer of multi-national giants in the lucrative business of precious metal extraction. In 2003, after several false

starts at mines that were too small, or in business ventures with larger firms that were too restrictive, NovaGold set its sights on developing a massive, previously untapped mineral property known as Galore Creek, located in the northern reaches of British Columbia, Canada. With too many failures under its belt, Galore Creek was billed as NovaGold's best—but, more precisely, last—hope to break into the production world.

2. The much needed ingredient to make these dreams come true was financing. What investors and potential joint venture partners needed to see was a “bankable” feasibility study, which would conclusively determine the economic viability of the untapped mineral property and set the costs for developing the required mine operations with no more than a 15 percent variance from actual costs.

3. While NovaGold's chief executive officer (“CFO”), defendant Rick Van Nieuwenhuysse (“Van Nieuwenhuysse”), promised a bankable feasibility study by “early” in the second half of 2006, the study was not forthcoming. Unknown to investors, during the Summer of 2006, NovaGold and its engineering firm, Hatch Ltd. (“Hatch”), were grappling with monumental engineering challenges. These challenges were a function of the very nature of Galore Creek as an “open pit” mine—meaning that a massive amount of rock and earth, known as tailings and waste rock, had to be extracted and permanently stored in a valley between two mountains and behind a **90 stories high** “tailings dam,” ultimately covering four square kilometers. (See Glossary of Terms.) An additional obstacle that the engineers struggled with was redirecting the Galore Creek itself over 7.5 kilometer downstream around the tailings dam area—a feat made more extraordinary due to the massive amount of surface water and runoff the site experienced in the winter of 2005-2006. Faced with these monumental challenges,

NovaGold continuously delayed the release of the “bankable” feasibility study by Hatch (the “Hatch Feasibility Study,” “Hatch Study,” or “Study”).

4. Believing that developing Galore Creek was economically feasible, and unaware that the Hatch Study was delayed because of these severe engineering problems, in July 2006, Barrick Gold Corp. (“Barrick”), a global mining producer, launched a hostile offer for the Company at US\$14.50 per share. Now, the engineering challenges at Galore Creek morphed into a challenge for survival of both the NovaGold Defendants’ (defined below at ¶30) lucrative positions of power as well as the Company’s independence. The NovaGold Defendants knew that the best way to fend off Barrick’s offer was to argue that the bid was undervalued in view of the economic viability of Galore Creek. Without the Hatch Study in hand, however, the NovaGold Defendants’ repeated rhetoric fell on deaf ears.

5. Faced with the reality that the Barrack bid was very attractive to investors, the NovaGold Defendants usurped the Hatch engineers’ process, and began calling the shots. In particular, the NovaGold Defendants gave Hatch “stale data” and parameters that would result in a cost figure that would “prove” the economic feasibility of Galore Creek. Even so, the Hatch Study’s progress was not moving fast enough. On October 12, 2006, hoping to cause investors to hold out tendering their shares in anticipation of the Study’s release, the NovaGold Defendants announced that “the Final Galore Creek Study” was scheduled to be released “later this quarter.”

6. Only days later, Barrick cut NovaGold off at the pass, raising its bid to US\$16 per share on October 24, 2006. NovaGold appeared out of ammunition to fend off the bid. But not so. The *very next day*, NovaGold announced suddenly that the Hatch Study was “*completed*.” After months of delay, and years of work, this purportedly “final” and “complete” bankable

feasibility study purportedly “confirmed” the economic viability of the mine, calculating “capital costs” at approximately US\$1.8 billion, an exceedingly reasonable amount. With this “proof” now in hand, the NovaGold Defendants stopped the hostile offer in its tracks, declaring victory only days later on November 8, 2006, when shareholders refused to tender Barrick sufficient shares. In the weeks and months that followed, the NovaGold Defendants capitalized on this “major milestone.”

7. In reality, far from final or complete, the NovaGold Defendants knew that the Hatch Study was “*obsolete before it was finished.*” Indeed, at least as early as February 2006—*nine months before* the Hatch Study was released—NovaGold had internally set Galore Creek construction costs at *C\$2.7 billion*. In fact, knowing that the Hatch Study was completely useless, NovaGold secretly commissioned a second, new feasibility study to be conducted by AMEC Americas Limited (“AMEC”), a competitor of Hatch. By April 2007, however, the NovaGold Defendants knew that the true costs for the mine were *at least C\$3.5 billion*, as detailed below.

8. Nevertheless, emboldened by their success over Barrick and knowing that the Hatch Study’s viability was short lived, the NovaGold Defendants quickly turned to using the Hatch Study to obtain over *US\$670 million* to further develop the mine. In April 2007—at the exact same time AMEC was already at the mine site and the true costs were known to have nearly doubled—NovaGold commenced a secondary public offering (detailed below) on the fraudulent basis that the Hatch Study was purportedly “final” and “complete,” as previously announced in October 2006. This fraudulent effort reaped *US\$194 million* in net proceeds from investors. Furthermore, through the spring of 2007, NovaGold negotiated a joint venture with Teck Cominco, Canada’s largest mining, mineral processing, and metallurgical resource

company (“Teck”). Their agreement required Teck to fund **US\$478 million** (C\$520 million) in construction costs up front, with each company responsible for 50 percent of construction cost funding thereafter. In the weeks and months that followed, the NovaGold Defendants continued to perpetrate their fraud, concealing AMEC’s role and refusing to disclose the true costs and conditions of the Galore Creek mine project.

9. As Fall of 2007 arrived, the NovaGold Defendants found it impossible to conceal the truth. Teck, who had already funded nearly C\$78 million of its commitment to the project, apparently came to learn that the true costs were much higher and insisted that the NovaGold Defendants halt mine construction operations at Galore Creek. On Monday, November 26, 2007, forced to reveal the truth, the NovaGold Defendants for the first time disclosed that at the same time of the Offering, by April 2007, AMEC was retained to conduct a new feasibility study. They further admitted that, far from the US\$1.8 billion (C\$2.2 billion) they had consistently stated since 2006, or even the C\$3.5 billion known in April, the capital cost for Galore Creek was US\$4.4 billion (or nearly C\$5 billion), an increase of **144 percent**. This reality was so devastating that mine construction operations were ***immediately suspended***.

10. That day, in reaction to this news, shares of NovaGold common stock, including those shares issued pursuant to the Registration Statement, plummeted US\$10.76, or **53 percent**, on trading volume of 29,082,919, more than 24 times the daily average for the Class Period.

II. THE CLAIMS ASSERTED IN THIS COMPLAINT

11. This Complaint sets forth claims under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and the rules and regulations promulgated thereunder, including SEC Rule 10b-5, 17 C.F.R. § 240.10b-5, against the NovaGold Defendants (defined below), who were knowing or reckless participants in defrauding investors in connection with

their material misrepresentations and omissions concerning the economic feasibility of the Galore Creek project.

12. This Complaint also sets forth separately certain non-fraud claims under Sections 11, 12(a)(2) and 15 of the Securities Act, 15 U.S.C. §§ 77k, 77l(a)(2), and 77o. Lead Plaintiff's Securities Act claims are not based on any knowing or reckless misconduct on the part of Defendants – *i.e.*, they do not allege fraud, do not sound in fraud, and expressly disavow any fraud-related allegation set forth herein. Rather, they are premised on the fact that there were material misrepresentations and omissions of material fact in the Offering documents and the documents incorporated by reference therein.

III. JURISDICTION AND VENUE

13. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5; and Sections 11, 12(a)(2), and 15 of the Securities Act, 15 U.S.C. §§ 77k, 77l(a)(2) and 77o.

14. This Court has jurisdiction over the subject matter of this action pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa and Section 22 of the Securities Act, 15 U.S.C. § 77v; and, pursuant to 28 U.S.C. §§ 1331 and 1337.

15. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and Section 22 of the Securities Act, 15 U.S.C. § 77v; and pursuant to 28 U.S.C. § 1391 (b) and (d). Many of the acts and transactions that constitute the violations of law complained of herein, including the dissemination to the public of untrue statements of material facts, occurred in this District. NovaGold shares are traded on the American Stock Exchange, which is located in the Southern District of New York. Many of the acts charged herein, including the preparation and dissemination of materially false and misleading information and

underwriting and Offering-related activities, occurred in substantial part in this District. In connection with the acts, conduct, and other wrongful conduct alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications, and the facilities of the national securities exchanges.

IV. PARTIES

A. Plaintiff

17. New Orleans is an institutional investor that is also a defined benefit pension plan established under the laws of the State of Louisiana on July 1, 1947. New Orleans manages approximately \$400 million in total assets. New Orleans is supported by joint contributions from the City of New Orleans, its employee members, and income from investments. As set forth in its certification previously filed with the Court, a copy of which is attached hereto as Exhibit A, New Orleans purchased shares of NovaGold common stock during the Class Period and pursuant to the Registration Statement and suffered damages proximately caused by the violations of the securities laws alleged herein.

B. Registrant/Issuer

18. NovaGold is a corporation organized under the laws of the Province of Nova Scotia, Canada, with its principal place of business located at Suite 2300-200 Granville Street, P.O. Box 24, Vancouver, British Columbia, Canada. NovaGold is engaged in the business of mineral exploration and development in Alaska and in Western Canada. NovaGold was the issuer and registrant of the shares registered and offered to the public pursuant to the Registration Statement.

C. Galore Creek Mining Corporation

19. Galore Creek Mining Corp. (“GCMC”) is a joint-venture between Defendant NovaGold and non-party Teck, established “to direct all aspects of project construction and operation” at Galore Creek on behalf of NovaGold and Teck.

D. NovaGold Individual Defendants

1. Officer Defendants

20. Rick Van Nieuwenhuyse (“Van Nieuwenhuyse”) joined NovaGold as President and Chief Operating Officer in January 1998, and has served as Chief Executive Officer since May, 1999. Van Nieuwenhuyse has over 25 years of experience in the natural resource sector, managing projects from mineral exploration and discovery through to advanced feasibility studies and production. Van Nieuwenhuyse holds a Candidature degree in Science from the Universite de Louvain, Belgium, and a Masters of Science degree in geology from the University of Arizona. At the time the Registration Statement became effective, Van Nieuwenhuyse was a director of NovaGold.

21. Robert J. MacDonald (“MacDonald”) has served as NovaGold’s Senior Vice President, Chief Financial Officer, and Secretary since January 2003. MacDonald has over 20 years of experience in the mining industry, and was directly involved in the operation or development of numerous mines in North and South America. In particular, MacDonald has been involved in the completion of over thirty mining financings. MacDonald holds a Bachelor and Masters degree in engineering from Oxford University and is a chartered accountant. MacDonald signed the Registration Statement.

22. Douglas Brown (“Brown”) was, at the time the Registration Statement became effective, NovaGold’s Vice President of Business Development. Brown joined NovaGold having spent the previous 15 years as a senior executive in the mining industry. From May 2007

through January 2008, Brown was the General Manager of Galore Creek and President of the Galore Creek Mining Corporation. Brown holds a Bachelor of Science degree in Mining Engineering and a Master of Science degree in Mineral Economics from the Colorado School of Mines.

23. Peter W. Harris (“Harris”) was, at the time the Registration Statement became effective, Senior Vice President and Chief Operating Officer of NovaGold. He was appointed Senior Vice President and Chief Operating Officer in 2005. Harris has over 30 years experience in mine design, development, and operations experience. He has been involved with, and responsible for, the development and operation of mines all over the world.

24. Defendants Van Nieuwenhuysse, MacDonald, Brown, and Harris are herein collectively referred to as the “Officer Defendants.”

2. Director Defendants

25. George Brack (“Brack”) was a director of NovaGold at the time the Registration Statement became effective, and signed the Registration Statement. At the time the Registration Statement became effective, Brack was Managing Director and Industry Head of the Mining Sector for Scotia Capital. Brack’s career in corporate finance has been focused on the world-wide identification, evaluation, and execution of strategic mergers and acquisitions in the mining industry.

26. Michael H. Halvorson (“Halvorson”) was a director of NovaGold at the time the Registration Statement became effective, and signed the Registration Statement. At the time the Registration Statement became effective, Halvorson was the President of Halcorp Capital Ltd., a position he held since September 1981, and was also a director of Strathmore Minerals Corp., Gentry Resources Ltd., Esperanza Silver Corporation, Orezone Resources Inc., Radiant

Resources Inc. and Pediment Exploration Ltd. Past directorships include Western Silver Inc. and Viceroy Exploration Ltd.

27. Gerald J. McConnell (“McConnell”) founded NovaGold in 1984. He was a director of NovaGold at the time the Registration Statement became effective, and signed the Registration Statement. Also at that time, McConnell was the Chairman, President and Chief Executive Officer of Etruscan Resources Inc., a junior natural resource company.

28. Clynton R. Nauman (“Nauman”) was director of NovaGold at the time the Registration Statement became effective, and signed the Registration Statement. At the time the Registration Statement became effective, Nauman was the Chief Executive Officer of Alexco Resource Corp., Asset Liability Management Group ULC. Nauman has over 25 years of diversified experience in the mining industry ranging from exploration and business development to operations and business management in the precious metals, base metals and coal sectors.

29. James L. Philip (“Philip”) was director of NovaGold at the time the Registration Statement became effective, and signed the Registration Statement. At the time the Registration Statement became effective, Philip was the President of Clan Chatton Finance Ltd., a private investment holding company. Philip is a chartered accountant and has over 25 years of public accounting experience, servicing mainly companies listed on Canadian and United States stock exchanges.

30. Together with defendant Van Nieuwenhuysse, defendants Brack, Halvorson, McConnell, Nauman, and Philip are herein collectively referred to as the “Director Defendants.” Defendants NovaGold, GCMC, Van Nieuwenhuysse, MacDonald, Brown, Harris, Brack,

Halvorson, McConnell, Nauman, and Philip are herein collectively referred to as the “NovaGold Defendants.”

E. Underwriter Defendants

31. Citigroup Global Markets Inc. (“Citigroup”) is a corporation organized under the laws of the State of New York, with its principle place of business located at 388 Greenwich Street, New York, NY 10013. Citigroup is the brokerage and securities arm of Citigroup Inc. and provides brokerage, investment banking, and asset management services to businesses, governments, and individuals. Citigroup was an underwriter of the Offering, as admitted in the Registration Statement, and agreed to purchase and distribute 5 million shares of NovaGold common stock pursuant to the Registration Statement. Citigroup was also the joint book running manager for the Offering and joint representative for the underwriters.

32. Citigroup Global Markets Canada Inc. (“Citigroup Canada”) is a corporation organized under the laws of the province of Ontario, Canada, with its principal place of business located at 123 Front Street West, Suite 1100, Toronto, Ontario, Canada. Citigroup Canada, an affiliate of Citigroup, was an underwriter of the Offering, as admitted in the Registration Statement, and agreed in the Underwriting Agreement to “use reasonable efforts to effect sales in Canada” of NovaGold common stock, pursuant to the Registration Statement. Any shares sold to Canadian purchasers through Citigroup Canada would be distributed from Citigroup’s purchase allotment. For these underwriting services, Citigroup Canada was to be paid an amount to be mutually agreed upon with Citigroup, but which was not to exceed the Underwriting Commission set forth in the Underwriting Agreement.

33. RBC Dominion Securities Inc. (“RBC”) is a corporation organized under the laws of the province of British Columbia, Canada, with its principal place of business located at 666 Burrard Street, Suite 2100 Park Place, Vancouver, British Columbia, Canada. RBC is a

leading debt and equity underwriter specializing in, *inter alia*, the mining industry. RBC was an underwriter of the Offering, as admitted in the Registration Statement, and agreed to purchase and distribute 5 million shares of NovaGold common stock pursuant to the Registration Statement. RBC was also the joint book running manager for the Offering and joint representative for the underwriters, along with Citigroup.

34. Scotia Capital Inc. (“Scotia”) is a corporation organized under the laws of the province of Ontario, Canada, with its principal place of business located at Scotia Plaza, 40 King Street West, Toronto, Ontario, Canada. Scotia is a full-service corporate and investment banking company specializing in, *inter alia*, the mining industry. Scotia was an underwriter of the Offering, as admitted in the Registration Statement, and agreed to purchase and distribute 1.25 million shares of NovaGold common stock pursuant to the Registration Statement.

35. Cormark Securities Inc. (“Cormark”) is a corporation organized under the laws of the province of Ontario, Canada, with its principle place of business located at Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2800, Toronto, Ontario, Canada. Cormark is a leading independent investment dealer specializing in, *inter alia*, the mining industry. Cormark was an underwriter of the Offering, as admitted in the Registration Statement, and agreed to purchase and distribute 625,000 shares of NovaGold common stock pursuant to the Registration Statement.

36. MGI Securities Inc. (“MGI”) is a corporation organized under the laws of the province of Ontario, Canada, with its principal place of business located at 26 Wellington Street East, Suite 900, Toronto, Ontario, Canada. MGI is a full-service corporate and investment banking company specializing in, *inter alia*, the mining industry. MGI was an underwriter of the

Offering, as admitted in the Registration Statement, and agreed to purchase and distribute 625,000 shares of NovaGold common stock pursuant to the Registration Statement.

37. Defendants Citigroup, Citigroup Canada, RBC, Scotia, Cormark, and MGI are herein collectively referred to as the “Underwriter Defendants.”

F. Hatch Defendants

38. Hatch Ltd. (“Hatch”) is a corporation organized under the laws of the province of Ontario, Canada, with its Global Corporate Office located at 2800 Speakman Drive, Mississauga, Ontario, Canada. Hatch supplies process and business consulting, information technology, engineering, and project and construction management to the mining, metallurgical, manufacturing, energy, and infrastructure industries. Hatch authored the Hatch Feasibility Study, which is specifically referenced at pages 10-16 of the Registration Statement and used in connection with the Registration Statement. Specifically, the Registration Statement, at pages 10-11, states that in “October 2006, Hatch Ltd., an independent engineering services company, together with a number of specialized consultants, completed a feasibility study (the “Galore Creek Feasibility Study”) [*i.e.*, previously defined herein as the Hatch Feasibility Study] for the Galore Creek project. This study confirms the economic viability of a conventional open-pit mining operation using long-term metals prices and provides the basis for the Company’s first proven and probable reserves for copper, gold and silver.” In addition, Hatch consented in Exhibit 5.3 of the Registration Statement, to “references to [Hatch’s] name and to the involvement of [Hatch] in the preparation of the Galore Creek Project Feasibility Study (the “Study”) in the Registration Statement, and to the inclusion and incorporation by reference of information derived from the Study in the Registration Statement.”

39. Bruce Rustad (“Rustad”), a professional engineer working for Hatch at the time of the Hatch Feasibility Study, had primary responsibility over the execution and completion of the

Study. The Registration Statement, at page 11, states that the “Galore Creek Feasibility Study was completed under [Rustad’s] coordination.” In addition, Rustad consented (*see* Exhibit 5.9 of the Registration Statement) to “references to [his] name and to [his] involvement in the preparation of the Galore Creek Project Feasibility Study (the “Study”) in the Registration Statement, and to the inclusion and incorporation by reference of information derived from the Study in the Registration Statement.” Defendants Hatch and Rustad are herein collectively referred to as the “Hatch Defendants.”

40. All defendants are herein collectively referred to as the “Defendants.”

V. PLAINTIFF’S CLASS ACTION ALLEGATIONS

41. Lead Plaintiff brings this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired NovaGold common stock between October 25, 2006, and November 23, 2007, inclusive (the “Class Period,” as previously defined), either in the Offering (defined below), pursuant to the Registration Statement (defined below), or in the open market (the “Class,” as previously defined), and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of the corporate defendants, members of the immediate families of any excluded person, the legal representatives, heirs, successors, or assigns of any excluded person or entity, and any entity in which defendants have or had a controlling interest.

42. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, NovaGold securities were traded on the American Stock Exchange and Toronto Stock Exchange. In addition, with respect to NovaGold’s Offering, at least 12.5 million shares were issued and sold pursuant to the Registration Statement. While the exact number of Class members is unknown to Lead Plaintiff at this time and can only be ascertained through appropriate discovery, Lead Plaintiff believes that there are thousands, if not

tens of thousands, of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by NovaGold and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

43. Lead Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

44. Lead Plaintiff will fairly and adequately protect the interests of the members of the Class and Lead Counsel is competent and experienced in class actions and securities litigation.

45. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

(a) whether Federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether the SEC filings, press releases, reports, and other public statements disseminated to the investing public during the Class Period contained material misstatements or omitted to state material information;

(c) whether and to what extent the market price of NovaGold's securities were artificially inflated during the Class Period due to the non-disclosures and/or misrepresentations complained of herein;

(d) whether the Registration Statement contained materially false statements or omissions of fact; and

(e) to what extent the members of the Class have sustained damages and the proper measure of damages.

46. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

VI. EXCHANGE ACT ALLEGATIONS

47. Lead Plaintiff's allegations are based on the investigation conducted by Lead Counsel, which included, among other things, reviews of public filings with the SEC and with the Provincial and Territorial Canadian Securities Administrators on SEDAR, press releases, transcripts of NovaGold's conference calls with industry analysts, publicly available trading information, and articles in the general and financial press, and analyst reports.

48. Lead Plaintiff's allegations are also based upon information provided by former employees of NovaGold, current and former employees of independent contractors that performed work for NovaGold on the Galore Creek project, a former executive with Coast Mountain Power Corp. (the company that NovaGold acquired to provide power to the Galore Creek project), and current members of the Tahltan First Nation with knowledge of the facts alleged herein, including but not limited to, the following confidential witnesses:

- Confidential Witness No. 1 ("CW1") is a member of the Board of Directors for the Tahltan Family and was formally Chairman of the Tahltan Central Council. CW1 has personal knowledge of the Galore Creek project from CW1's involvement in negotiating the February 2006 Participation Agreement (defined below at ¶58) between the Tahltan First Nation and NovaGold to CW1's communications with NovaGold management thereafter and through the present, as detailed herein.

- Confidential Witness No. 2 (“CW2”) was a senior executive of Coast Mountain Power Corp. (“CMPC”) at the time NovaGold acquired the company, in August 2006, to provide power to the Galore Creek project. As CMPC is located in close proximity to Galore Creek, CW2 is very familiar with the design decisions the NovaGold Defendants imposed on Hatch. CW2 was in a position to know, and does know, about the role the NovaGold Defendants had in imposing design decisions on Hatch and the restrictions they placed on Hatch concerning assessment of costs, as detailed herein.
- Confidential Witness No. 3 (“CW3”) is a member of the Tahltan First Nation. CW3 has personal knowledge of the Galore Creek project from CW3’s involvement in negotiating the February 2006 Participation Agreement between the Tahltan First Nation and NovaGold to CW3’s numerous meetings with NovaGold management regarding the development of the Galore Creek site throughout the Class Period, as detailed herein.
- Confidential Witness No. 4 (“CW4”) is an “Elder” of the Telegraph Creek Tahltan Band. As a senior member of the Tahltan First Nation, CW4 has personal knowledge of the Galore Creek project through interactions with NovaGold employees and other members of the Tahltan First Nation involved in the project. CW4 was in a position to know, and does know, about the development (including costs and logistics) of Galore Creek from its inception in 2003 through the present. In addition, CW4 has intimate knowledge of the Hatch Feasibility Study, as detailed herein.
- Confidential Witness No. 5 (“CW5”) is a field engineer for Tercon Construction, Ltd. (“Tercon”). Tercon was hired by NovaGold to construct the access roads to and from Galore Creek. CW5 was part of Tercon’s management team responsible for billing NovaGold, on a daily basis, for Tercon’s work performed at Galore Creek. CW5 was on-site at Galore Creek from April 2007 through December 2007. CW5 is familiar with the Hatch Feasibility Study and the construction cost figures contained therein. CW5 was in a position to know, and does know, about the escalation of construction costs at Galore Creek, as detailed herein.
- Confidential Witness No. 6 (“CW6”) is a former NovaGold employee who worked at Galore Creek from November 2006 through July 2007. CW6 was responsible for building the communications infrastructure at Galore Creek and attended regular meetings with Galore Creek management to discuss mine construction progress throughout his employment at NovaGold. CW6 was in a position to know, and does know, about the escalation of construction costs at Galore Creek, as detailed herein.
- Confidential Witness No. 7 (“CW7”) is a field engineer for Tercon. CW7 is familiar with the Hatch Feasibility Study and the construction cost figures contained therein. CW7 was on-site at Galore Creek from April 2007 through December 2007 and met regularly with NovaGold’s construction managers to discuss construction progress and costs. CW7 was in a position to know, and

does know, about the escalation of construction costs at Galore Creek, as detailed herein.

- Confidential Witness No. 8 (“CW8”) is Senior Vice-President of Construction Management for Pipeline Systems, Inc. (“PSI”). PSI was retained by both Hatch and AMEC to provide an estimate for the “slurry pipeline”¹ at Galore Creek. CW8 was in a position to know, and does know, about the timing of when PSI was retained by AMEC to provide the slurry pipeline estimate at Galore Creek, as detailed herein.

A. Background

1. NovaGold’s Aspirations To Become A Mining Producer

49. NovaGold was founded in 1984 with a primary business focus on mineral exploration in North America. With the acquisition in the late-1990s of the Rock Creek property near Nome, Alaska, NovaGold adopted a singular focus—to fundamentally shift its business from mineral exploration to mineral production. By making this shift, NovaGold would engage in the physical extraction of the valuable minerals from the ground, as opposed to discovering precious mineral resources and then passing the property off to a producer to share in the bounty.

50. The mineral production world was not an easy one to infiltrate, dominated by large multinational corporations such as Barrick, Goldcorp Inc., and Newmont Mining Corp., who looked down upon the “cowboys” of the exploration world. While the Rock Creek project was NovaGold’s first entrée into the production business, this small property was expected to have little impact on NovaGold’s standing as primarily an exploration company. Similarly, in 2001, NovaGold’s next production project, in Donlin Creek, was the subject of a complicated joint venture agreement with multinational mining producer Placer Dome U.S. (“Placer Dome”), rendering it difficult for NovaGold to be viewed as shifting its business.

¹ A slurry pipeline is used to transport mineral concentrate from a mineral processing plant near a mine. Mineral concentrate is a mix of mined ore and water that is pumped over a long distance to a port where it may be shipped for further metallurgical processing.

51. In 2003, still attempting to get its first real start in the production business, NovaGold acquired a 100 percent interest in the mineral rights to a massively large 215,000 acre area known as Galore Creek. Galore Creek, located in a remote, mountainous area of northwestern British Columbia, Canada, was completely undeveloped, but was believed to contain one of the world's largest untapped copper-gold-silver mineral deposits. The NovaGold Defendants believed that this was the “monster” project that, if successful, would launch NovaGold into the production world and mark a new era for the Company. While NovaGold faced significant engineering challenges to develop Galore Creek, those very same challenges provided NovaGold the opportunity to prove itself worthy of its would-be peers.

2. The “Turning Point”

52. The challenge of Galore Creek was its massive size, remote location—initially accessible only by helicopter—and complex engineering due to its very nature as an “open pit” mine, as explained below. (*See* Glossary for description of mining-related terms). NovaGold's dreams would never come to fruition unless (i) it could raise hundreds of millions of dollars in financing from investors and (ii) attract a significant joint venture partner. Indeed, an analyst from Citibank wrote that in order for NovaGold to gain any “credibility” it had to do just that.

53. What investors demanded, was some evidence that Galore Creek was economically viable. To this end, beginning in 2003, NovaGold began this long process by retaining Hatch Ltd. (“Hatch”) to perform what is known as a “preliminary” feasibility study, to assess costs within 20-30 percent of actual costs.

54. Nearly two years later, on October 25, 2005, NovaGold's CEO, defendant Van Nieuwenhuysen quite proudly announced a defining “turning point for NovaGold as a Company as [it] *transition[s] from explorer to a producer.*” The preliminary study included a capital cost estimate of US\$1.1 billion, an indication that the mine was economically feasible.

55. Just as the NovaGold Defendants had planned, with the preliminary study in hand, they quickly moved to raise capital through an initial public offering (“IPO”). Initiated on January 24, 2006, the IPO’s net proceeds of US\$165.3 million were to be used, in part, to fund the next and most critical assessment of the mine, a bankable feasibility study.

56. A bankable feasibility study is an expensive and time-consuming endeavor intended to determine conclusively whether or not to proceed with a particular project as economically viable. A bankable feasibility study must be accurate within 10-15 percent of the actual final costs, requiring a significant amount of formal engineering work.

57. During the October 26, 2005 Conference Call with analysts and investors, Van Nieuwenhuysse told investors that NovaGold had “completed all of the field work required to complete a *bankable feasibility study this year*” and that NovaGold expected the study “*early* in the second half of ’06.” (emphasis added) Following the preliminary study, Hatch began to undertake the final, bankable study.

58. In the months that followed, at least from an investor’s perspective, it appeared that NovaGold was making progress. For instance, on February 13, 2006, a week after the IPO, NovaGold announced that it had entered into a comprehensive agreement with the Native Canadian Tahltan First Nation (“Tahltan Nation”), who reside on portions of the land on which Galore Creek is situated (the “Participation Agreement”). As part of the Participation Agreement, NovaGold would make financial contributions to the Tahltan Nation, as mitigation of any adverse social and cultural impacts of mine development. The Participation Agreement guaranteed that during mine operations, payments would be no less than US\$1 million annually, and as much as 0.5 percent to 1.0 percent of the net annual royalties.

59. Similarly, by June 2006, NovaGold claimed, in an application to Canadian authorities for environmental approval, that “all viable options were explored to the depth that allowed for a reasonable decision about how best to approach further planning.”

3. Engineering Challenge: Tailings And Water Management

60. Despite repeated promises that the Hatch Feasibility Study was forthcoming, unbeknown to investors, NovaGold was facing significant engineering problems. The most significant of these related to the fact that Galore Creek was an “open pit” mine. In contrast to underground mining, where narrow tunnels are used to reach the ore body, open-pit mining requires the excavation of every inch of earth on top of and around the mine. All of the earth, known as tailings and waste rock, needs to be permanently stored elsewhere, typically in a valley behind an earthen structure known as a tailing dam. (*see* Glossary) The magnitude of the Galore Creek Project was such that the anticipated tailings storage facilities would cover nearly 4 square kilometers and rise over 200 meters, *or over 65 stories*, high. The tailings dam itself was to stand 275 meters, or approximately *90 stories high*, one of the tallest in the world.

61. Adding to this massive undertaking was the need for NovaGold to address surface water that flowed through the area where the tailings would be deposited. As an initial matter, the tailings and waste rock would be permanently placed in the valley in which the Galore Creek flowed, requiring the creek to be redirected over a distance of 7.5 kilometers, or 4.7 miles, down stream around the dam area. In addition, however, as the NovaGold Defendants learned in the Winter of 2005-2006, the extraordinary amounts of snow, ice, and rain experienced at Galore Creek required the diversion of massive amounts of surface water that would end up in the Galore Creek. In view of the magnitude of these issues, NovaGold and Hatch engineers were heavily engaged in addressing and attempting to resolve them from the inception of the project.

B. Survival Challenge: Delay Of Hatch Report Threatens The NovaGold Defendants' Ability To Fend Off Barrick's Hostile Bid

62. Quite suddenly, in July 2006, the serious engineering and logistical challenges the NovaGold Defendants faced morphed into a fight to preserve their lucrative careers and to maintain the Company's independence.

Barrick Launches Hostile Bid—To The Delight Of Investors

63. Unknown to investors, since March 2006, NovaGold was in discussions with Barrick, one of the world's largest precious mineral producers, regarding a potential joint venture over Galore Creek. Frustrated that the discussion for a joint venture failed, on July 24, 2006, Barrick announced a hostile bid for NovaGold shares at US\$14.50 per share. In reaction to that news, NovaGold shares shot up *nearly 39 percent* to US\$16.17 per share on July 25, 2006, up from the prior day's close of US\$11.67 on trading volume of over 9 million shares, or nearly 8 times the average daily volume during the Class Period. This dramatic increase in value marked the takeover "premium" investors placed on the Barrick bid.

The NovaGold Defendants Attempt To Fight Back

64. If the bid was successful, the NovaGold Defendants, undoubtedly, would be forced out, losing their jobs, compensation packages, and the Company they had essentially created. As expected, immediately following the bid, on July 25, 2006, NovaGold issued a press release (the "July 25 Press Release") harshly criticizing Barrick's bid, decrying it as an "unsolicited, opportunistic offer."

65. However, with an offer premium of nearly 40 percent on the stock, NovaGold's arguments that the bid was undervalued fell on investors' deaf ears. Frustrated that their argument that the bid was undervalued was not gaining traction, NovaGold issued a press release on September 6, 2006 (the "September 6 Press Release"), announcing that a recent "drill

campaign” at Galore Creek had led to significant expansion of the valuable mineral resource base at the project. The September 6 Press Release noted that this “updated resource estimate will be used in the final Feasibility Study for the Galore Creek project, scheduled for completion later in 2006.”

NovaGold Defendants Knew They Needed “Proof”

66. Despite the repeated rhetoric, unable to “prove” that the bid was undervalued, the NovaGold Defendants were hard pressed to convince investors not to tender their shares. While Defendant Van Nieuwenhuysse had promised the Hatch Study would be delivered “early” in the second half of 2006, through the Summer of 2006 it was clear to the NovaGold insiders that the costs were increasing and the mine was threatened by serious engineering challenges. Indeed, as early as February 2006, the NovaGold Defendants knew that costs were at least C\$2.7 billion. According to CW1, a high level member of the Tahltan Nation who was involved in the negotiations of the Participation Agreement and met extensively with NovaGold representatives, at the time of the Participation Agreement’s execution in February 2006, the costs for bringing the mine to operations was already C\$2.7 billion.

67. By the Summer of 2006, the cost picture was only getting worse. At this point, the NovaGold Defendants had an opportunity to observe the full extent of the surface water issues that manifested during the Winter and Spring of 2006 that further drove up the costs. By that time, in addition to the prospect that the costs would exceed the threshold for economic viability, NovaGold also faced losing its existence to Barrick.

The NovaGold Defendants Direct The “Independent” Hatch Study

68. Faced with the Barrick bid, rather than take the risk of further delay and an engineering conclusion that would render the mine “not feasible,” the NovaGold Defendants usurped the Hatch engineers’ independent assessment and began driving the feasibility study’s

outcome. As CW2 (a former senior executive of Coast Mountain Power Co. stationed at Galore Creek, who also worked for NovaGold through August 2006) observed, the NovaGold Defendants essentially came up with the design and cost figures they wanted to see in the Study. As CW2 put it, during the Summer of 2006, the NovaGold Defendants “locked [Hatch] into a certain scenario that they would have difficulty changing.” To reach the desired outcome, the NovaGold Defendants fed Hatch engineering and cost data that was “stale” well “*before* they completed that study.” (emphasis added) Indeed, CW3, a member of the Tahltan Nation who had extensive involvement in the negotiation of the Participation Agreement and interaction with the NovaGold Defendants, confirmed that by February 2006, NovaGold’s own up to date data resulted in construction cost estimates of C\$2.7 billion—*22 percent* more than what Hatch purportedly concluded in October 2006.

69. Furthermore, CW2 explained that many of “the design issues were not thoroughly thought out,” nor were they fully vetted before inclusion in the Hatch Study. At bottom, the NovaGold Defendants knew that using Hatch would give the study “credibility,” but they could not—and did not—give Hatch “a whole lot of allowance ... to question it,” according to CW2. Instead, the NovaGold Defendants handed Hatch certain design concepts with instructions to develop the mine in a certain manner and to provide estimates based on those designs, according to CW2. In other words, the NovaGold Defendants directed the outcome of the Study.

**C. To Counter Barrick’s Best And Final Offer
NovaGold Fraudulently Release The “Final” Hatch Study**

70. By October 2006, NovaGold’s promise of a bankable feasibility study by “early” in the second half of the year had rung empty. The Company’s share price had declined to \$15.35, reflecting that investors were retreating toward Barrick’s \$14.50 bid. In an effort to reignite the promise of some “proof” that the Barrick bid was indeed undervalued, on October

12, 2006, NovaGold issued a press release (the “October 12 Press Release”) stating that the “*Final* Galore Creek Feasibility Study” was “targeted for release later [in the] quarter,” meaning by year-end. (emphasis added)

71. Only days later, Barrick raised the stakes, announcing on October 24, 2006, that it was increasing its offering price to US\$16, its “*best and final*” offer. (emphasis added)

72. Despite expectations that the Study was months, or at least weeks, away, *the very next day*, the NovaGold Defendants suddenly announced the “completion” of the Hatch Feasibility Study. After months of delay, and years of work, Barrick’s “best and final” offer forced the NovaGold Defendants’ hand as they released the Study. This purportedly “final” and “complete” bankable study supposedly “confirmed” the economic viability of the mine, calculating “capital costs” at approximately US\$1.8 billion, an exceedingly reasonable level. Moreover, the October 25 Press Release made clear that this was a bankable feasibility study, stating that “the cost estimates of the study *reflect a +15%/-10% feasibility study level of engineering accuracy.*”

73. Moreover, the Hatch Feasibility Study itself stated that the mine construction costs estimates contained therein “include *all the direct and indirect costs* and appropriate project estimating contingencies for all the facilities required to bring the Galore mine into production, as defined by a feasibility level of engineering effort.” In particular, it stated that the costs included the “construction of all major civil earthworks for the dams and water diversion structures.”

74. Further to the fraudulent scheme, defendant Van Nieuwenhuyse announced the Hatch Study as a “*major milestone*” for NovaGold in its effort to move from explorer to producer, marking the “culmination of three years of comprehensive and rigorous work on the

project.” Of course, there was no indication of the monumental engineering challenges NovaGold was facing, the fact that the NovaGold Defendants directed the outcome of the Study, or that NovaGold’s own cost figures were at least half a billion dollars higher than what investors were advised.

As Intended, The Study Propelled NovaGold Into The Production Realm

75. The NovaGold Defendants could not have asked for a better reaction from analysts and investors. For example, on October 26, 2006, analyst Beacon Rock concluded that as a result of the Study, NovaGold should now “be viewed by the investment community in an *entirely new way*.”

76. As the Study was further digested, analysts only strengthened their advice for investors to reject the Barrick bid. For instance, on October 31, 2006, Beacon Rock wrote that while it initially offered the opinion that Barrick’s initial bid of US\$14.50 be rejected, “[n]ow that [NovaGold] has received a *bankable-Feasibility Study* on its Galore Creek project ... we find the revised tender offer of US\$16 per share to be *even more unsupportable*,” retaining its “Buy” recommendation. (emphasis added)

77. To add more credence to their claims that the Barrick bid was undervalued, on October 31, 2006, the NovaGold Defendants issued a press release, (the “October 31 Press Release”), claiming that upon the release of the “independent Galore Creek Feasibility Study, confirming economics of the project,” negotiations “have accelerated” with a number of companies interested in partnering with NovaGold in developing the Galore Creek project. As a result of these false and misleading statements, shareholders “overwhelmingly rejected” Barrick’s hostile takeover bid.

With The Fraudulent Study In Hand, NovaGold Defeats Barrick's Bid

78. The timing of the announcement was far from coincidental. Indeed, although the NovaGold Defendants called it “final” and “complete” on October 25, 2006, the Study was not signed until October 31, 2006. But the opportune timing of the Study’s announcement was precisely what the NovaGold Defendants needed. With the Study in hand, the NovaGold Defendants quickly turned to defeat the Barrick offer. Now with “proof” that the bid “falls well short of reflecting the value inherent in NovaGold” the bid was overwhelmingly rejected on November 8, 2006.

D. The NovaGold Defendants Knew The Fraudulent Study Was Obsolete Before It Was Completed

79. Unbeknown to its shareholders, analysts, and the public at-large, the Hatch Feasibility Study was “obsolete” before it was completed.

80. However, the NovaGold Defendants knew that the Hatch Study’s capital cost estimates were completely “out to lunch.” Indeed, the C\$2.2 billion (\$US1.8 billion) cost, quickly escalated. Consistent with CW2’s account that the NovaGold Defendants intentionally provided “stale data” to Hatch in order to direct the outcome of the Study, according to CW4, it was widely known among people familiar with the NovaGold Defendants that the Study “was obsolete *before* it was finished.” CW4, an “Elder” of the Telegraph Creek Tahltan Band who had regular interactions with NovaGold management and other Tahltan members involved in the development of Galore Creek, confirmed CW1’s statement that NovaGold’s internal cost figure was C\$2.7 billion, or half a billion greater than the Hatch Study’s figure.

81. This higher figure was only the beginning as CW4 recounted that the cost figure “escalate[d] from month-to-month.” S/he also explained that even based on these early figures, it “was common knowledge after 2005 that the project wasn’t doable at those prices.” As time

passed, CW4 learned from NovaGold insiders that the cost increased to C\$3.2 billion, confirming that the project was not economically viable. Despite their knowledge, however, the NovaGold Defendants continued to promote the feasibility of the project throughout the Class Period.

82. Indeed, it was obvious to those close to NovaGold that the mine operations were significantly over budget very early in the process, according to CW5, a field engineer for Tercon, an independent contractor that was constructing the access roads to Galore Creek. CW5 explained that everything NovaGold did was costing “a ton” more money than was budgeted. Although the tailings- and water management-related costs were the most understated, CW5 explained that “pretty much everybody up there ... had been going over budget,” be they road builders, utility or infrastructure companies, for example. Indeed, by the winter 2006 it was “common talk around the job that their initial budget was *completely out to lunch*,” said CW5.

E. Knowing The Hatch Report Could Not Be Relied Upon For the Mine, A “New” Secret Feasibility Study Was Commenced At The Same Time As The Offering And Joint Venture Discussions

83. At the same time the NovaGold Defendants fraudulently used the Hatch Study to obtain financing, they commissioned a new, secret feasibility study in order to assess the true development cost and economic viability for the mine.

84. Adding insult to injury, in addition to knowing the Hatch Report was obsolete, by the Spring of 2007, the NovaGold Defendants knew that the true costs were skyrocketing. According to CW6, a former communications contractor for NovaGold at Galore Creek from November 2006 through July 2007 who attended regular meetings with NovaGold management, by February 2007, construction costs were significantly increasing “across the board.” According to CW6, as early as January 2007, the project’s costs began to rapidly increase.

Similarly, CW7, a field engineer at Galore Creek working for Tercon, stated that month-after-month costs were quickly increasing as they approached C\$3.7 billion in the early Summer.

85. In view of the known inadequacy of the Hatch Study, and the ever increasing costs, as early as February 2007, the NovaGold Defendants had engaged AMEC, an international engineering firm and competitor of Hatch, to conduct a “new” feasibility study. Indeed, by the time AMEC took over from Hatch, the project was in dire straights as costs had reached C\$3.5 billion, according to CW3.

86. By either February or March 2007, AMEC’s Howard Fletcher began working on the “new” feasibility study along with NovaGold engineer Ken Getlaf. The timing of AMEC’s arrival at Galore Creek was confirmed by CW8. CW8, a subcontractor hired by both Hatch and AMEC to estimate the cost of a slurry pipeline for Galore Creek, stated his company was retained by AMEC to re-estimate the slurry pipeline cost by March 2007. Given the critical circumstances and dire cost circumstance, among Fletcher’s first acts was firing people at the mine, according to CW6.

87. Keeping the “new” AMEC study a secret was integral to the NovaGold Defendants’ fraudulent scheme because if analysts and investors discovered what AMEC was doing, they would know that the Hatch Feasibility Study could no longer be relied upon.

F. The Second Stage of The Scheme: NovaGold Defendants Used The Hatch Study To Obtain Financing and Lure In A Joint Venture Partner

88. Emboldened by the victory over Barrick, the NovaGold Defendants sought to maximize what they could extract as a result of the Hatch Report. On March 5, 2007, an analyst at Citigroup provided them a roadmap, writing that the Hatch Study’s determination that Galore Creek was economically viable added “*tremendous value*” to NovaGold and its shareholders. But to gain “credibility” as a newly-arrived mining producer, Citigroup wrote that NovaGold

needed to obtain the financing necessary to further develop the mine and lure an experienced mining producer to join in the venture. The NovaGold Defendants followed this prescription precisely, fraudulently obtaining over C\$670 billion in available financing based on the purported “final” Study.

1. As NovaGold Raised Capital, It Continued To Tout The Study

89. During the early months of 2007, while NovaGold was seeking to raise capital, it consistently touted the Study. For instance, on February 9, 2007, NovaGold issued a press release (the “February 9 Press Release”) entitled “NovaGold’s Galore Creek Project Update,” in which Defendant Harris stated that based on “up-to-date quotes from contractors, *the team has determined that the Feasibility Study budget is sufficient* for construction of the Galore Creek project within current contingency allocations,” and reiterating the US\$1.8 billion cost. (emphasis added) Similarly, on February 28, 2007, NovaGold again reiterated that the Hatch Feasibility Study was the “*final*” study for Galore Creek and that it confirmed “the economics of the project.” (emphasis added) In reliance on these fraudulent statements, analysts gave glowing remarks. For instance, on February 12, 2007, an analyst at MGI issued a report which stated that based on NovaGold’s Galore Creek project update, “we are reiterating our Buy recommendation and our C\$24.00 per share one-year target.”

2. Novagold Used The Hatch Feasibility Study To Raise Capital

90. Relying on the Hatch Study as the “final” and “complete” bankable study that supported the US\$1.8 billion cost for the mine’s operations, on April 18, 2007, NovaGold launched a secondary offering of its common stock that would result in US\$194 million, after deducting underwriter fees and expenses. These proceeds were purportedly “to fund further exploration at, and initial construction of, the Galore Creek project.” As discussed in more detail in Section XII, the new shares were to be issued pursuant to the Registration Statement (defined

below), which expressly stated—by virtue of incorporating by reference NovaGold’s February 20, 2007 “Material Change Report”—that the Hatch Feasibility Study was the “final” feasibility study to be conducted at Galore Creek. Furthermore, on April 25, 2007, the day after the secondary offering closed, NovaGold hosted a conference call (the “April 25 Conference Call”) in which Defendant Van Nieuwenhuysen confirmed the “very low” cash cost of the Galore Creek project. On the call, Defendant MacDonald reiterated that construction costs for Galore Creek would be US\$1.8 billion.

G. In The Face Of Direct Questions Concerning Cost Overruns, The NovaGold Defendants Lied

91. In mid-2007, NovaGold began experiencing significant cost overruns at its Rock Creek project. Analyst MGI became concerned that these cost overruns may be systemic within NovaGold, so it questioned management about whether its underestimations would impact on its other projects, including Galore Creek. The NovaGold Defendants intentionally misled the analyst. On July 18, 2007, MGI issued a report which reflected that the NovaGold Defendants had told the analyst that after checking, the “*numbers provided still stand*”:

We wanted to examine whether or not lessons learned regarding Rock Creek would imply higher capital expenditure figures for both Galore Creek and Donlin Creek. *We learned that management had already gone through the exercise with their consultants who believe that the numbers provided still stand.*

As detailed above, by this point, the NovaGold Defendants knew the fact that they were beyond the C\$3.5 billion cost known as of the Spring of 2007. Rather than come clean, the NovaGold Defendants decided to continue their fraudulent scheme.

92. In August 2007, NovaGold took analysts on a tour of Galore Creek. Apparently worried that the visiting analysts might discover the fact that AMEC was conducting a “new” feasibility study on the project, the NovaGold Defendants told the analysts that they were in the

process of conducting an updated “scoping study” on Galore Creek. A scoping study is a re-evaluation of a project’s estimated reserves versus its budgeted capital costs. The purpose of a scoping study is to determine whether minor adjustments in capital expenditures or construction design will yield more efficient mineral returns.

93. In fact, while the “scoping study” was a convenient cover story if questions surfaced, the presentation the NovaGold Defendants gave analysts during the tour failed to mention it, and instead referred to the “completed” Hatch Feasibility Study in three separate instances without qualification. As would be expected, the NovaGold Defendants’ oral statements about a “scoping study” had little impact on the analysts’ assessment. And to the extent analysts changed their outlook, it was due to outside influence. For instance, on August 30, 2007, an analyst at Cormark explained he “changed outlook due, in part, to ... increasing our CAPEX assumption ... primarily due to the fact that the 2006 estimate was compiled using a 0.81 *exchange rate* on the US dollar, and did not include a ~US\$115 million power-line to the site nor *cost inflation* that is likely to occur over the construction period.” (emphasis added)

H. After The Analysts’ Slight Increases In CAPEX Due To External Factors, NovaGold Followed Suit While Continuing the Scheme

94. Following the analysts visit to Galore Creek and their reports, some of which increased cost estimates due to external factors such as exchange rates and inflation, the NovaGold Defendants’ initial reaction was to hold the line and repeat their prior misstatements. On October 1, 2007, NovaGold issued a press release (the “October 1 Press Release”) that purportedly updated construction progress at Galore Creek, but simply stated that the “October 2006 Feasibility [Hatch] Study estimated construction costs at C\$2.2 billion.”

95. By October 15, 2007, however, the NovaGold Defendants seized an opportunity to raise cost figures by following the analysts’ lead. That day, NovaGold issued a press release

(the “October 15 Press Release”), which gave the first indication that costs were higher than the NovaGold Defendants’ prior misstatements. Rather than pointing to the true reasons for the costs, the NovaGold Defendants blamed the increase on external factors providing the very first indication that the Hatch Feasibility Study’s figures may be inaccurate. Importantly, however, the NovaGold Defendants did not tell the true cause of the increased costs—tailings, waste rock, and water management of an extraordinary magnitude. They instead pointed to minor factors and external influences like the significant strengthening of the Canadian dollar against the U.S. dollar.

96. The October 15 Press Release was also the first ever indication that AMEC was working at Galore Creek—*at least 7 months too late*. To add insult to injury, while the NovaGold Defendants disclosed “Galore Creek Mining Corporation has engaged AMEC to prepare an updated feasibility study,” their extremely deliberate choice of words and grammar gave investors the distinct understanding that AMEC’s retention was a very recent event, not an engagement that pre-dated NovaGold’s secondary offering. Of course, the NovaGold Defendants deliberately withheld the fact that at the time AMEC came on site in the early spring 2007, costs were already at C\$3.2 billion.

97. The NovaGold Defendants’ scheme continued to fool investors and analysts. For instance, on October 16, 2007, analyst MGI reiterated its “Buy” recommendation for NovaGold. On the same day, analyst RBC estimated that the construction cost increase for Galore Creek would amount to only 10 percent. The market reacted in similar fashion with shares of NovaGold falling by less than US\$0.50 from their opening price on October 15 (US\$19.00) to their closing price on October 16 (US\$18.54).

I. NovaGold Defendants Forced To Reveal The Fraud

98. As the Fall of 2007 arrived, the NovaGold Defendants found it harder to conceal the truth. Teck, who had already funded nearly C\$78 million of its commitment to the project, apparently came to learn that the true costs were much higher and insisted that the NovaGold Defendants halt mine operation.

99. On Monday, November 26, 2007, forced to reveal the truth, the NovaGold Defendants for the first time disclosed that at the same time as the Offering in April 2007, AMEC was retained to conduct a new feasibility study. They further admitted that, far from the US\$1.8 billion they had consistently stated since 2006, or even the C\$3.5 billion known in April, the capital cost for Galore Creek was US\$4.4 billion, an increase of ***144 percent***.

100. This reality was so bad that Teck insisted that mine operations be ***immediately suspended***. CW3, who was advised upon Teck's discovery of the fact that costs exceeded C\$5 billion, learned that while NovaGold tried to continue its operation at Galore Creek, Teck insisted on an immediate suspension. Recognizing that the NovaGold Defendants were the only ones profiting from the continued operations at Galore Creek, Teck insisted on shutting it down. Investors reacted accordingly, as NovaGold's share price plummeted 53 percent that day.

J. Additional Evidence of Scienter: The Officer Defendants' Motive And Opportunity To Commit Fraud

101. The Officer Defendants each had motive and opportunity to perpetrate their fraudulent scheme. Indeed, each Officer Defendant gained significant sums during the Class Period, the amount of which was largely dependent on NovaGold's stock price.

102. Throughout the Class Period, NovaGold's officers and directors owned millions of dollars worth of Company stock. Defendants Van Nieuwenhuyse and MacDonald, NovaGold's CEO and CFO, respectively, both of whom served as NovaGold's most senior

officers during the Class Period, were motivated to engage in the fraudulent scheme described herein. Their tremendous individual holdings of NovaGold stock motivated both Van Nieuwenhuyse and MacDonald to engage in a scheme to fraudulently inflate the NovaGold's stock price.

103. Specifically, based on publicly-available information, Van Nieuwenhuyse held in excess of 2,000,000 shares of NovaGold common stock from at least January 1, 2007 through the end of the class period. In addition, Van Nieuwenhuyse also held over 2,000,000 options, with strike prices varying from US\$1.013 to US\$14.06.

104. MacDonald held over 150,000 shares of NovaGold common stock and over 350,000 options from at least January 1, 2007 through the end of the class period. MacDonald also exercised over 90,000 options during the Class Period, gaining in excess of \$300,000 in paper profits from the sale of the underlying shares.

VII. DEFENDANTS' FALSE AND MISLEADING STATEMENTS

105. The Class Period begins on October 25, 2006. On that day, NovaGold issued a press release (the "October 25 Press Release") announcing the accomplishment of a major step in NovaGold's shift from explorer to mineral producer. In the October 25 Press Release, the NovaGold Defendants stated that a "*Final*" *feasibility study* had been "*Completed*" for Galore Creek *confirming the "economic viability"* of a precious metals mine on the site (emphasis added). In particular, the October 25 Press Release stated, in part, that:

This study confirms the economic viability of a conventional open-pit mining operation [at Galore Creek] using long-term metals prices and provides the basis for NovaGold's first Proven and Probable Reserves for copper, gold, and silver.

The Feasibility Study *confirms* that Galore Creek is one of the world's largest undeveloped copper-gold-silver projects with one of the *lowest cash costs in the industry*, and is another important

fundamental step in the Company's *market revaluation from exploration to producer valuation*.

(emphasis added)

106. In the October 25 Press Release, Defendant Van Nieuwenhuyse specifically addressed the comprehensiveness of the Hatch Feasibility Study by stating that the Study represented “three years of *comprehensive and rigorous work* on the project.” (emphasis added) Van Nieuwenhuyse emphasized that the Hatch Feasibility Study was a “major milestone” for NovaGold in its transition from explorer to mineral producer.

107. The October 25 Press Release went on to state that the economic viability determination was based on revised construction costs for the project of approximately US\$1.8 billion. The press release explained that the Hatch Feasibility Study was a so-called bankable study with a “*+15%/-10% feasibility study level of engineering accuracy*.” (emphasis added)

108. The press release carefully explained that the significant increase from prior capital cost estimates was due to, *inter alia*, significant design changes in the Galore Creek mine plan and not the inadequacy of the pre-feasibility study.

109. The statements in the October 25 Press Release omitted to state the truth and were materially false and misleading when made because they failed to disclose that (i) the Hatch Feasibility Study was “obsolete” before it was completed; (ii) the true capital costs of the Galore Creek project were in fact in excess of US\$4 billion and therefore did not represent the “lowest cash costs in the industry”; (iii) the Galore Creek project was not economically viable due to its dramatically high capital costs; and (iv) the Hatch Feasibility Study was not “comprehensive” nor was it the “final” study performed on Galore Creek.

110. The NovaGold Defendants' materially false and misleading statements in the October 25 Press Release were designed to convince its shareholders to reject Barrick's hostile tender offer, which had been raised to US\$16.00 a day prior.

111. In reliance upon these materially false and misleading statements, analysts reacted positively towards NovaGold and the Galore Creek project. For example, on October 26, 2006, analysts at TD Newcrest issued a report stating that even though capital costs for Galore Creek had "increased significantly" from the pre-feasibility study, the 64 percent (or \$US700 million) increase was substantially "offset" by significant increases in the metal reserves at Galore Creek. As such, based on the figures contained in the "final feasibility study," TD Newcrest increased its Net Present Value estimation ("NPV") for the Galore Creek project "to \$490 million from \$440 million."

112. On the same day, analyst Beacon Rock confirmed that the release of the Hatch Feasibility Study would propel NovaGold into the ranks of mining producer and help fend off Barrick's takeover bid:

[T]he completion of the Feasibility Study should allow [NovaGold] *to be viewed by the investment community in an entirely new way.*

We believe that Galore Creek has not received adequate attention by [Barrick] or the analyst community.

If Galore Creek was considered to be at least half of [NovaGold's] total value, this would imply that [NovaGold] could be valued at about twice the current tender offer of US\$16 per share.

(emphasis added)

113. Buttressed by these positive analyst reports and the desire to ensure that its shareholders would continue to reject Barrick's open tender offer, on October 31, 2006, NovaGold issued a materially false and misleading press release (the "October 31 Press

Release”), similar in nature to the October 25 Press Release, recommending that its shareholders “REJECT” Barrick’s amended tender offer. (emphasis in original)

114. In the October 31 Press Release, NovaGold supported its recommendation by touting its recent “value-adding milestones” including, *inter alia*, the release of the “independent Galore Creek Feasibility Study, confirming economics of the project and providing the Company’s first Proven and Probable Reserves.”

115. Analysts again reaffirmed that Hatch’s bankable feasibility study was enough for investors to reject Barrick’s tender offer. On October 31, 2006, Beacon Rock stated:

We offered our opinion that [Barrick’s] tender offer of US\$14.50 per share for [NovaGold] was unsupportable in our Special Report dated August 10, 2006. Now that [NovaGold] has received a bankable-Feasibility Study on its Galore Creek project and initiated construction of its Rock Creek project in Nome, we find *the revised tender offer of US\$16 per share to be even more unsupportable.*”

We retain our *Buy* recommendation and 12-month price target of *\$27.00* per share.

(emphasis added)

116. To create the perception that offers better than Barrick’s loomed on the horizon, the NovaGold Defendants stated in the October 31 Press Release that due to the completion of the “Galore Creek Feasibility Study, discussions have accelerated with a number of interested parties regarding potential transactions to generate value-enhancing opportunities for NovaGold’s shareholders.” No such discussions ever materialized nor were the purported “interested parties” ever identified.

117. The NovaGold Defendants’ fraudulent use of the Hatch Feasibility Study effectively thwarted Barrick’s hostile takeover. On November 8, 2006, NovaGold issued a press

release (the “November 8 Press Release”) announcing that its shareholders “overwhelmingly rejected” Barrick’s hostile takeover bid.

118. In an effort to ensure that its shareholders continued to reject Barrick’s still-pending tender offer, the NovaGold Defendants reiterated their prior materially false and misleading statements from the October 25 Press Release. In the November 8 Press Release, NovaGold attributed its shareholders’ rejection of Barrick to the “significant milestones” NovaGold had achieved since Barrick’s initial bid was announced, including the “[c]ompleted final Feasibility Study at Galore Creek.”

119. On the same day, NovaGold held a conference call (the “November 8 Conference Call”) with analysts to discuss Barrick’s takeover bid. On the November 8 Conference Call, Defendant Van Nieuwenhuysse reiterated that the Hatch Feasibility Study was complete and that based on that Study NovaGold was moving forward with construction of Galore Creek:

Final preparations are now being made by the Galore Creek construction team to basically take that feasibility study and implement that into a construction plan and budget, with construction expected to start in Q2 of '07 with the receipt of permits.

Having *completed the feasibility study at Galore Creek*, we can now speak to -- about reserves there.

On Galore Creek, the feasibility study, as I mentioned, *is done*.

(emphasis added)

120. On the same call, Defendant McDonald stated that the Hatch Feasibility Study finalized the construction cost figures and that based on those figures NovaGold was actively seeking joint venture partners for Galore Creek. McDonald noted that NovaGold’s potential partners were waiting on the release of the Study:

Obviously, Galore Creek has elicited a significant interest from potential joint venture partners, *most of whom have been awaiting*

the completion of our feasibility study, which was just released two weeks ago.

Now, the financing in front of you shows that *based on the feasibility study*, and all of these amounts are in U.S. dollars, for Galore Creek, we have a total capital of about \$1.8 billion. And if you add interest during construction of the financing costs, the total financing costs would be about \$2 billion.

(emphasis added)

121. Just as the NovaGold Defendants intended, investors relied on their false and misleading statements concerning the economic viability of the Galore Creek project. On November 9, 2006, an article by Globe and Mail reported that NovaGold “emphasized the viability of its projects and its ability to get them into production” on its November 8 Conference Call in an effort to fend off “another Barrick extension.”

122. On November 14, 2006, in a NovaGold press release, Defendant Van Nieuwenhuysse again made materially false and misleading statements concerning the validity of the Hatch Feasibility Study. Specifically, Van Nieuwenhuysse touted the completion of the Study as a bankable study upon which NovaGold would seek financing and as a major step towards initiation of construction at Galore Creek:

With the Feasibility Study for Galore Creek now complete, NovaGold has been approached by a variety of interested financial and industry partners.

In view of the discussions so far, we are confident that Galore Creek is of significant interest to potential joint venture parties and *eminently financeable* in the current market place.

(emphasis added)

123. Based on the purported outcome of the Hatch Feasibility Study, analysts reacted positively to the NovaGold Defendants’ repeated materially false and misleading statements, concluding that based on the Hatch Feasibility Study a significantly higher value was

commanded by NovaGold and that Barrick's "tender offer is not supportable." For example, on November 19, 2006, analyst Beacon Rock retained its "**Buy** recommendation" (emphasis in original) for NovaGold with a "12-month target price of "**US\$27**" (emphasis in original):

We maintain our opinion that [Barrick's] tender offer price is not supportable at US\$16.00 per share. The Galore Creek Feasibility Study's sensitivity matrix utilizing current metal prices indicates an after-tax 0% NPV of \$5.1 billion (assuming \$2.50 copper, \$600 gold, and \$8.50 silver), or about \$49 per share. The Feasibility Study base case after-tax 0% NPV is \$1.7 billion (assuming \$1.50 copper, \$550 gold, and \$8.00 silver), or about \$17 per share. We believe estimated value at base metal and current metal assumptions sets the range of value for Galore Creek.

We believe *what is known about Galore Creek*, Nome assets, and the Ambler project *is more than sufficient to support our conclusion that the tender offer is not supportable*. If only the three assets, Galore Creek, Nome, and Ambler were considered, using values of US\$1.7 billion, US\$375 million, and US\$450 million, respectively, one could foresee an acquisition of NG at US\$2.5 billion, or about US\$25 per share.

(emphasis added)

124. On December 5, 2006, NovaGold issued a press release (the "December 5 Press Release") urging its shareholders "to continue to reject" Barrick's hostile takeover bid.

Defendant Van Nieuwenhuysse relied on the Hatch Feasibility Study and the impending success of Galore Creek to convince NovaGold shareholders to continue their rejection of Barrick's tender offer and that the way forward was to obtain a joint venture partner and financing for Galore Creek:

[W]ith a financing and joint venture partner anticipated for Galore Creek in the first quarter of 2007, *we plan to build that project on time and on budget*.

(emphasis added)

125. The December 5 Press Release also noted NovaGold's recent accomplishments, including the "completion of key permitting steps at Galore Creek and the release of an

independent Feasibility Study confirming Proven and Probable Reserves and the economics of the Galore Creek project.”

126. Based upon Defendants’ false and misleading statements, several analysts raised their recommendation and target price for NovaGold common stock. For example, on December 6, 2006, analyst MGI elevated its rating for NovaGold to “Buy” from “Hold” and increased its price target from C\$17.00 to C\$24.00. And, on December 12, 2006, analyst RBC increased its price target for NovaGold from C\$18.00 to C\$22.00, on the basis that a “feasibility study for the Galore Creek project was completed in late October, 2006.”

127. On December 14, 2006, in a press release (the “December 14 Press Release”) updating “drill results” at Galore Creek, NovaGold once again used the purported finality of the Hatch Feasibility Study and the construction cost figures contained therein to establish the economic viability of Galore Creek:

A final Feasibility Study for the Galore Creek project, completed by Hatch Ltd. in October 2006, provided Proven and Probable Reserves for NovaGold and ***confirmed the economics and mine plan*** of the Galore Creek project.

The Feasibility Study estimates that the total capital cost to develop the Galore Creek project will be approximately US\$1.8 billion between 2007 and 2010.

(emphasis added)

128. Clearly, the investing public had been thoroughly duped by the NovaGold Defendants into believing that the Galore Creek project was economically viable based upon the Hatch Feasibility Study. For example, on January 9, 2007, an article on the Galore Creek mine project was published by Seeking Alpha. In the article, it states that the Hatch Feasibility study is a “bankable” feasibility study. The article defines a bankable feasibility study as one where “all the information is present for a financing decision to be made on the project.”

129. With Barrick's hostile takeover bid now well-behind them, the NovaGold Defendants turned their attention to progressing the Galore Creek project towards the construction phase, notwithstanding the fact that the NovaGold Defendants knew that they had no basis to conclude that the mine was economically viable.

130. To this end, on February 9, 2007, NovaGold issued a press release (the "February 9 Press Release") entitled "NovaGold's Galore Creek Project Update." In the release, Defendant Harris stated that updated "quotes from contractors" have confirmed that Galore Creek is on "budget":

Based on up-to-date quotes from contractors, the team has determined that the Feasibility Study budget is sufficient for construction of the Galore Creek project within current contingency allocations.

The release went on to reiterate that:

A final Feasibility Study for the Galore Creek project, completed in October 2006, provided substantial Proven and Probable Reserves for NovaGold and confirmed the economics and mine plan of the project.

The Feasibility Study estimates that the total capital cost to develop the Galore Creek project will be approximately US\$1.8 billion.

131. Analysts continued to rely on Defendants' false and misleading statements in delivering a positive outlook for NovaGold and Galore Creek. For instance, on February 12, 2007, analyst MGI issued a report in which it stated "[f]ollowing the Galore Creek project update, **we are reiterating our Buy recommendation and our C\$24.00** per share one-year target (emphasis in original).

132. On February 28, 2007, NovaGold released its 2006 Annual Report. The Report, and the press release associated therewith, again reiterated that the Hatch Feasibility Study was

the “final” study for Galore Creek, that the Study “confirmed the economics and mine plan” for the project, and that construction costs at Galore Creek would be approximately US\$1.8 billion:

A *final Feasibility Study* for Galore Creek was *completed* in October 2006, *confirming the economics* of the project and providing Proven and Probable Reserves.

Total capital cost to develop the Galore Creek project was estimated at *US\$1.8 billion*.

(emphasis added)

133. The NovaGold Defendants’ statements referenced above in ¶¶ 114-132 were materially false and misleading when made because they failed to disclose that (i) the Hatch Feasibility Study was “obsolete” before it was completed; (ii) the Hatch Feasibility Study was not a “bankable” feasibility study; (iii) Galore Creek construction costs were not “on budget” and were in fact rising drastically “across the board;” (iv) the true capital costs of the Galore Creek project were in fact in excess of US\$4 billion; (v) the Galore Creek project was not economically viable due to its extremely high capital costs; and (vi) the Hatch Feasibility Study was not a comprehensive Study nor was it the “final” study performed on Galore Creek.

134. Undeterred by the fact that the Hatch Feasibility Study was “obsolete” before it was issued or the fact that a proper feasibility determination on Galore Creek had yet to be made, the NovaGold Defendants continued to tout the Study as a basis for the economic viability of Galore Creek. On a March 2, 2007 earnings conference call for the fourth quarter 2006, Defendant McDonald reviewed the purported construction cost figures for Galore Creek, as set forth in the Hatch Feasibility Study, with the participants on the call:

You see the total capital for Galore Creek at approximately \$1.8 billion or C\$2.2 billion. The total will probably be approximately \$2 billion. The project will support at least \$1 billion of conventional project financing, which leaves \$1 billion to be financed by NovaGold and its partners.

[J]ust over four months ago, NovaGold completed the feasibility study for Galore Creek.

135. The NovaGold Defendants' materially false and misleading statements continued to gain attention and credibility. Defendant Van Nieuwenhuyse, in a March 5, 2007 article by Metals Week, promoted Galore Creek as a "low-cost producer of gold and copper either way you cut it." The article went on to report that "[t]otal financing costs for the project are estimated at \$2 billion."

136. Similarly, industry analysts continued to rely upon the NovaGold Defendants' materially false and misleading statements. For example, on April 2, 2007, analyst Beacon Rock Research continued its positive outlook on NovaGold and Galore Creek, issuing a report which noted the "economics at Galore Creek are likely to improve" with additional drilling. Beacon Rock reiterated its Buy recommendation, set a price target of US\$27.00, and added NovaGold to its "top picks" for 2007.

137. On April 16, 2007, NovaGold issued a press release (the "April 16 Press Release") in which it updated its pending mine projects. With respect to Galore Creek, NovaGold stated that "start-up" of operations at Galore Creek would be moved back from 2011 to 2012, but that the "overall construction budget of \$2.2 billion (US\$1.8 billion)" would remain "*unchanged.*"

138. NovaGold's Form 6-K quarterly report for the period ending February 28, 2007, signed on April 16, 2007 (the "April 16 Quarterly Report"), repeats, verbatim, the materially false and misleading statements contained in the April 16 Press Release. Defendants Van Nieuwenhuyse and MacDonald each certified that the statements made in the April 16 Quarterly Report did "not contain any untrue statement of a material fact or omit to state a material fact

required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.”

139. The NovaGold Defendants’ statements referenced above in ¶¶ 134-138 were materially false and misleading when made because they failed to disclose that (i) the Hatch Feasibility Study was “obsolete” before it was completed; (ii) the Hatch Feasibility Study was not a “bankable” feasibility study; (iii) Galore Creek construction costs were rising drastically “across the board” so the initial budget would not remain “unchanged;” (iv) the true capital costs of the Galore Creek project were in fact in excess of US\$4 billion so Galore Creek was not a “low-cost producer of gold and copper;” (v) the Galore Creek project was not economically viable due to its extremely high capital costs; and (vi) AMEC was already in the process of conducting a “new” feasibility study to determine the true capital costs for the project.

140. On April 18, 2007, NovaGold announced that it was conducting a secondary issuing of its common stock. The new shares were issued pursuant to an Amended Registration Statement on Form F10/A filed with the SEC on April 16, 2007, and became effective on April 17, 2007 (“Registration Statement”). The Registration Statement contained numerous false and misleading statements.

141. Specifically, at page 12 and elsewhere, the Registration Statement stated that the capital cost for the Galore Creek mine was approximately US\$1.8 billion. Furthermore, the Registration Statement included the following under the heading “Summary Financial Results”:

Galore Creek — Summary Financial Results

| | <u>Units</u> | <u>Base Case</u> |
|---|-----------------|------------------|
| Mine Basis | | |
| Mine Life | Years | 22 |
| Ore Tonnage milled | M tonnes | 522 |
| Strip Ratio (waste to ore) | | 1.64 |
| Mill throughput (nominal) | Tonnes per day | 65,000 |
| Total capital cost (mine facilities + infrastructure) ⁽¹⁾ | US \$(millions) | 1,805 |
| Sustaining capital cost ⁽¹⁾ | US \$(millions) | 122 |
| Unit Operating Costs | | |
| Mining cost per tonne mined ⁽¹⁾ | US\$/t | 1.22 |
| Milling / Process cost per tonne ore ⁽¹⁾ | US\$/t | 3.05 |
| G&A cost per tonne ore ⁽¹⁾ | US\$/t | 0.80 |
| Total Cash Cost First 5 Years (net of precious metal credits) ⁽³⁾ | US\$/lb Cu | 0.38 |
| Total Cash Cost First 5 Years (net of copper and silver credits) ⁽³⁾ | US\$/oz Au | (889) |
| Total Cash Cost Life of Mine (net of precious metal credits) ⁽³⁾ | US\$/lb Cu | 0.62 |
| Total Cash Cost Life of Mine (net of copper and silver credits) ⁽³⁾ | US\$/oz Au | (874) |
| Total Co-product Cost First 5 Years (copper) | US\$/lb Cu | 0.67 |
| Total Co-product Cost First 5 Years (gold) | US\$/oz Au | 150 |
| Total Co-product Cost Life of Mine (copper) | US\$/lb Cu | 0.82 |
| Total Co-product Cost Life of Mine (gold) | US\$/oz Au | 200 |

⁽¹⁾ Converted from Canadian dollars to U.S. dollars at the base case \$1.00 = US\$0.81 long-term exchange rate.

⁽²⁾ Average metal price based on N. Seldon Marketing Report with long-term staggered metal prices.

⁽³⁾ Cash cost is not a term recognized by Canadian GAAP or U.S. GAAP and includes mining costs, processing costs (including transportation and refining), and local production taxes and royalties but excludes end-of-mine reclamation accruals.

142. These figures set forth in the Registration Statement, and recreated above, were materially false and misleading when made because the true capital cost to build Galore Creek was at least US\$4 billion, or more than double the amount provided in the Registration Statement.

143. The NovaGold Defendants also intentionally misstated in the Registration Statement the true nature of the Hatch Feasibility Study and the fact that it was complete and “confirmed” the economic viability of the mine operations:

In October 2006, Hatch Ltd., an independent engineering services company, together with a number of specialized consultants,

completed a feasibility study (the “Galore Creek Feasibility Study”) for the Galore Creek project. This study *confirms* the economic viability of a conventional open-pit mining operation using long-term metals prices and provides the basis for the Company’s first proven and probable reserves for copper, gold and silver.

A financial analysis using the base case parameters set out below indicates that the Galore Creek project is expected to generate an after-tax internal rate of return of approximately 10.6% and have an undiscounted after-tax net present value of US\$1.74 billion.

(emphasis added)

144. Furthermore, the Registration Statement incorporated by reference several additional documents which themselves contained materially false and misleading statements. Specifically, the Registration Statement incorporated by reference NovaGold’s February 20, 2007 “Material Change Report,” which falsely stated that the Hatch Feasibility Study was the “*final*” feasibility study to be conducted at Galore Creek.

145. Additionally, under the heading “Use of Proceeds,” the Registration Statement stated:

The net proceeds of any offering of Securities under a Prospectus Supplement will be used to fund further exploration at, and initial construction of, the Galore Creek project, to fund general exploration and development on the Company’s other projects and for general corporate purposes.

This statement was materially false and misleading because it did not disclose that the proceeds were in fact being used to conduct a “new” feasibility study to determine the true capital cost for the mine and its economic viability.

146. The NovaGold Defendants’ statements contained in the Registration Statement were materially false and misleading when made because they failed to disclose that (i) the Hatch Feasibility Study was “obsolete” before it was completed; (ii) the Hatch Feasibility Study was not a “bankable” feasibility study; (iii) Galore Creek construction costs were rising

drastically “across the board;” (iv) the true capital costs of the Galore Creek project were in fact in excess of US\$4 billion; (v) the Galore Creek project was not economically viable due to its extremely high capital costs; (vi) the Hatch Feasibility Study was not a comprehensive Study nor was it the “final” study performed on Galore Creek; and (vii) AMEC was already in the process of conducting a “new” feasibility study to determine the true capital costs for the project.

147. On April 24, 2007, NovaGold reiterated that it intended to use the proceeds of its secondary offering to, *inter alia*, “fund further exploration at, and initial construction of, the Galore Creek project.” This statement was materially false and misleading when made because it did not disclose that the proceeds were in fact being used to conduct a “new” feasibility study to determine the true capital cost for the mine and its economic viability.

148. The next day, on April 25, NovaGold hosted an earnings conference call (the “April 25 Conference Call”). On the April 25 Conference Call, Defendant Van Nieuwenhuys commented about the “very low” cash cost of the Galore Creek project:

And then, of course, *driving down into the very low end of the cash cost curve with production from Galore Creek* and eventually Donlin Creek, with cash costs well under CAD50 an ounce for producing an ounce of gold, net of copper and silver by-products.

(emphasis added)

149. On the same Call, Defendant MacDonald again reiterated the US\$1.8 billion construction cost figure, stating that:

The total project financing cost [for Galore Creek] is about CAD2 billion, about CAD1.8 billion being construction cost itself, and the remainder being interest during construction and bonding and the like. We've also told -- a number of people are aware that our advisors have indicated that the project will support at least CAD1 billion of debt, so that will leave CAD1 billion of equity to be funded by the JV partners.

150. With the NovaGold Defendants consistent statements, industry analysts continued to rely on the Hatch Feasibility Study and the construction cost figures contained therein. For example, on April 30, 2007, analyst Citigroup described that construction costs at Galore Creek would be approximately US\$2 billion. And, on May 4, 2007, analyst and Defendant RBC noted “that the \$2 billion Galore copper-gold mine can be developed *without additional equity* being issued.” (emphasis added)

151. On May 23, 2007, again in reliance on the NovaGold Defendants’ materially false and misleading statements, Citigroup issued another report on NovaGold which described that construction costs for Galore Creek would be approximately US\$2 billion.

152. On the same day, NovaGold and Teck issued a joint press release announcing their partnership in the development of Galore Creek and creation of the Galore Creek Mining Corporation. In reviewing the status of operations at Galore Creek, Defendant Harris stated:

Since completion of the Feasibility Study last fall, NovaGold has been preparing for the start of construction to ensure its ability to maximize the 2007 construction season. With those preparations and our partnership with Teck Cominco now in place, full construction activities should be able to begin shortly.

(emphasis added)

153. The day after the NovaGold Defendants announced the Galore Creek joint venture, numerous analysts praised the companies’ US\$2 billion collaboration on Galore Creek. For example:

(a) Cormark characterized NovaGold as a “gold bull’s” stock, a “*classic ‘buy-and-hold’ mining stock* for investors with a long time horizon.” With respect to Galore Creek, Cormark stated that the “two billion dollar partnership with Teck announced yesterday emphasizes *just how valuable the Galore Creek deposit truly is.*”

(emphasis added.)

(b) RBC viewed the joint venture as “a positive” for Galore Creek because, *inter alia*, NovaGold’s share of the US\$1.845 million in Galore Creek mine construction costs has “declined considerably” through its partnership with Teck. (emphasis added.)

(c) Canaccord Adams raised its price target for NovaGold from C\$15.00 to C\$18.50. The Canaccord report concluded that Galore Creek would have a “20-year mine life at an estimated construction cost of US\$2 billion,” specifically relying on the Hatch Feasibility Study for its conclusions.

154. On June 1, 2007, NovaGold issued a press release (the “June 1 Press Release”) updating the status of its projects. With respect to Galore Creek, NovaGold stated that Galore Creek was on budget in accordance with the Hatch Feasibility Study:

Construction will proceed in accordance with NovaGold’s previously announced budgets and timelines to achieve production by mid-2012, and the Galore Creek partnership will engage in exploration and technical studies aimed at increasing the value of the project by optimizing the additional resources that are not currently included in the Galore Creek Feasibility Study completed by Hatch Ltd. in October 2006.

155. In a July 16, 2007 press release, NovaGold reiterated that the Galore Creek project would require an “overall investment of US\$2 billion.”

156. On the same day, in NovaGold’s Form 6-K quarterly report for the period ending May 31, 2007, signed on July 16 (the “July 16 Quarterly Report”), NovaGold confirmed that the budget identified in the Hatch Feasibility Study would remain “*unchanged*.” Defendants Van Nieuwenhuysse and MacDonald each certified that the statements made in the July 16 Quarterly Report did “not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.”

157. The statements contained in the June 1 and July 16 Press Releases and the July 16 Quarterly Report were materially false and misleading when made because they failed to disclose that (i) the Hatch Feasibility Study was “obsolete” before it was completed; (ii) the Hatch Feasibility Study was not a “bankable” feasibility study; (iii) by this point in time Galore Creek construction costs were rising “across the board” (iv) the true capital costs of the Galore Creek project were in fact in excess of US\$4 billion; (v) the Galore Creek project was not economically viable due to dramatically increased capital costs; and (vi) the Hatch Feasibility Study would need to be completely redone in order to determine the true capital costs of the Galore Creek project; and (vii) AMEC was already in the process of conducting a “new” feasibility study to determine the true capital costs for the project.

158. In mid-Summer 2007, NovaGold began to experience significant cost overruns at its Rock Creek project. Analyst MGI became concerned that these cost overruns may be systemic within NovaGold and launched explicit questions at management about whether its underestimations would impact on its other projects, including Galore Creek. Faced with pointed questions from MGI, the NovaGold Defendants responded by asserting that the “*numbers provided still stand.*” On July 18, 2007, analyst MGI issued a report on NovaGold in which it stated that:

We wanted to examine whether or not lessons learned regarding Rock Creek would imply higher capital expenditure figures for both Galore Creek and Donlin Creek. We learned that management had already gone through the exercise with their consultants who believe that the numbers provided still stand.

Faced with cost overruns at Rock Creek, the NovaGold defendants were provided with the perfect opportunity to *come clean* about the truth at Galore Creek. Instead, the NovaGold Defendants decided to continue their fraudulent scheme to get Galore Creek built at any cost.

159. In August 2007, NovaGold took analysts on a tour of Galore Creek. Apparently worried that the visiting analysts might discover the fact that AMEC was conducting a “new” feasibility study on the project, the NovaGold Defendants told the analysts that NovaGold was in the process of conducting an updated “scoping study” on Galore Creek which would include a review of construction costs. (*see* ¶ 92, above)

160. In fact, the presentation given to analysts during the tour failed to mention a “scoping study” and instead referred to the “completed” Hatch Feasibility Study in three separate instances without qualification. The analysts reports reflect that the NovaGold Defendants’ oral statements about a “scoping study” during the tour had little impact on their view of NovaGold and Galore Creek.

161. On August 30, 2007, analyst and Cormark stated:

Previously, we had forecasted four years of construction and C\$2.2 billion spent in initial capital expenditures at Galore Creek, approximately in-line with the feasibility study completed on the project by Hatch Engineering in mid 2006. After seeing the project first hand however, as well as the potential bottlenecks in the construction schedule, we are pushing back our estimate of initial commercial production by one year (to Q1/13). Concurrently, we are increasing our CAPEX assumption by approximately 25% to US\$2.3 billion (100% basis) from the US\$1.8 billion reported in 2006. This is primarily due to the fact that the 2006 estimate was compiled using a 0.81 exchange rate on the US dollar, and did not include a ~US\$115 million power-line to the site nor cost inflation that is likely to occur over the construction period.

162. The next day, on August 31, analyst MGI issued a report on the visit to Galore Creek:

We suspect that a number of analysts are walking away from the project pleasantly surprised by the amount of work done since May. However, we got the impression that a few will likely increase their construction time frame from four years to five. In addition, we are expecting some analysts to increase their assumed capital requirements as a result of the required power line, *capex creep and a higher US\$/C\$ exchange rate.*

We had already assumed commissioning in Q2/12 with commercial production in 2013. Likewise, we already assumed initial capital expenditures at Galore Creek to be approximately US\$2.1bn (approximately 16% higher than the original estimate). In any event, we believe a higher capex number will be largely offset by expanded production in years 5 and 6. An updated scoping study is expected in early 2008 and should reflect the engineering input of Teck Cominco. (emphasis added.)

163. On September 5, 2007, analyst Beacon Rock reported on the visit to Galore Creek:

NovaGold consolidated the [Galore Creek] district in 2004 and continued to drill and expand the resource until October of 2006 with completion of a Feasibility Study.

The project has a budget of C\$2.2 billion based on the 2006 Feasibility Study which should be updated in early 2008.

164. The NovaGold Defendants, recognizing that a “scoping study” is a normal and relatively insignificant event in a complicated mine project like Galore Creek, continued to rely publicly upon the Hatch Feasibility Study’s construction cost figures, notwithstanding that the Study was “obsolete” before it was issued and that AMEC’s “scoping study” was actually a complete feasibility re-evaluation.

165. Moreover, on October 1, 2007, NovaGold issued a press release (the “October 1 Press Release”) updating construction progress at Galore Creek. In the October 1 Press Release, NovaGold stated that the “October 2006 Feasibility Study estimated construction costs at C\$2.2 billion,” without reference to the fact that construction costs have been skyrocketing since early-2007 or that AMEC was in the early stages of conducting a “new” feasibility study on the project.

166. On October 15, 2007, NovaGold issued a press release (the “October 15 Press Release”), which provided the very first indication that the Hatch Feasibility Study’s figures may be inaccurate. Importantly, however, the NovaGold Defendants did not tell the true cause of the

increased costs, but instead blamed generalized market factors. In the October 15 Press Release, the NovaGold Defendants also revealed that AMEC had been engaged, but deliberately gave the impression that AMEC's retention was a recent event, not an engagement that pre-dated NovaGold's secondary offering. Specifically, with respect to Galore Creek, the October 15 Press Release stated that:

Galore Creek Mining Corporation has engaged AMEC to prepare an updated feasibility study to, amongst other things, support the project financing of Galore Creek. The updated feasibility study is expected to result in significant increases to capital costs resulting from, among other things, the inclusion of additional power line costs in connection with the higher-capacity line described below, and escalating local and worldwide construction costs; further optimization of the project, including potential modifications to grind size and the significant strengthening of the Canadian dollar against the U.S. dollar. Capital cost increases are expected to be partially offset by improvements in operating costs. The updated feasibility study is targeted to be complete in the first half of 2008, but revised costs for the project may be available earlier than that.

Although NovaGold finally revealed that AMEC was on site at Galore Creek conducting "feasibility" work and that "significant increases to capital costs" are expected, this painfully inadequate partial disclosure just adds to the litany of the NovaGold Defendants' materially false statements.

167. In fact, the October 15 Press Release is itself replete with materially false and misleading statements. First, AMEC was not engaged to conduct an "updated feasibility study," it was brought on to perform a completely "new" feasibility analysis of the project because the NovaGold Defendants knew, by no later than October 2006, that the Hatch Feasibility Study was "obsolete." Second, the October 15 Press Release fails to disclose that AMEC had been on site at Galore Creek since at least March 2007, and, as such, based upon its half-year review of the project (in addition to NovaGold's independent knowledge of drastically rising costs during the same time frame), the NovaGold Defendants knew, by October 15, that construction costs had

already risen significantly and that it did not need to wait for an “updated feasibility study” to confirm the increases. And third, although several factors are referenced, the October 15 Press Release fails to disclose that the primary reason for the increase in construction costs was due to the complicated construction re-sequencing of the tailings and waste rock storage facilities.

168. NovaGold’s Form 6-K quarterly report for the period ending August 31, 2007, signed on October 15, 2007 (the “October 15 Quarterly Report”), repeats, verbatim, the materially false and misleading statements contained in the October 15 Press Release referenced above. Defendants Van Nieuwenhuyse and MacDonald each certified that the statements made in the October 15 Quarterly Report did “not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.”

169. Analysts continued to be fooled by Defendants’ false and misleading statements about the true economic feasibility of Galore Creek. For instance, on October 16, 2007, analyst and Defendant MGI reiterated its Buy recommendation. Also on October 16, analyst and Defendant RBC estimated that the construction cost increase for Galore Creek would only be 10 percent.

170. On October 17, 2007, during a NovaGold earnings conference call, Defendant Van Nieuwenhuyse stated that “an updated feasibility study” would be completed in the “second half of next year.” This statement was materially false because the NovaGold and Teck Defendants knew that AMEC was performing a complete feasibility reassessment of Galore Creek, not just an update.

171. By pointing to market factors as the primary cause of increased costs, the true scope of the feasibility issues at Galore Creek remained hidden from the analysts. For example,

on October 21, 2007, analyst and Defendant Citigroup reported that construction cost increases would be due to “materials/energy/services” escalations, and not a substantial redesign to Galore Creek’s most crucial and expensive structure, the tailings and waste rock storage facilities. Moreover, the report identified the following items that would increase construction costs to potentially US\$3 billion:

The inclusion of additional power line costs in connection with the proposed high-capacity 287-kV Northwest Transmission Line, which the partnership will fund \$158 million of projected \$400 mln costs. This is in addition to the 130km extension to the mine site (rating of 34.5 kV estimated at \$60 mln).

Worldwide construction costs have been subject to inflation

Potential modifications to grinding

Significant strengthening of the Canadian dollar, now at a spot of \$1.03US\$/C\$, up 27% from the Nov-06 feasibility modeled 0.81.

172. On October 23, 2007, the NovaGold Defendants made a last ditch effort to continue their fraudulent scheme. On that day, NovaGold made a presentation to the New Orleans Investment Conference (the “NOIC Presentation”). In the NOIC Presentation, NovaGold failed to mention any “update” to the Hatch Feasibility Study, which it references on at least two separate occasions in estimating project costs, nor did it make any reference to AMEC whatsoever.

THE TRUTH IS REVEALED

173. On November 26, 2007, NovaGold, along with its joint venture partner Teck, hosted a conference call (“November 26 Conference Call”) and disclosed that mining operations at Galore Creek had been suspended indefinitely due to the true capital costs. According to Defendant Van Nieuwenhuysse, at the exact same time the Registration Statement became effective—and the statements therein that the Hatch Feasibility Study was the “final” feasibility

study—NovaGold decided to retain AMEC, another engineering and consulting company, to undertake a “new” feasibility study and to conduct a “more detailed engineering review” of the economic viability of Galore Creek.

174. Finally, the true capital costs of at least US\$4 billion—an increase of approximately 125 percent from the amounts in the Hatch Feasibility Study and all of the NovaGold Defendants false statements—was revealed. Specifically, the tailings and waste rock related issues—those most anticipated and critical to the project—were the most significantly misstated. Indeed, during the November 26 Conference Call, Defendant Van Nieuwenhuyse admitted that the “lion’s share of the increases” were due to the work necessary to complete the tailings dam and the water diversion structures that were already in the plans.

175. As Defendant Brown admitted, it was not until the NovaGold Defendants “*began* to study the construction of the tailings dam and some of the large water diversion structures in more detail, [that they] recognized that those activities need to be sequenced in a highly complex fashion.” (emphasis added) Brown went on to admit that where the Hatch Feasibility Study stated that the tailings dam and water diversion would constitute “roughly 20%, 25%” of the capital cost budget, the true cost was “at least one-third if not 45% of the overall cost of the project right now.”

176. Critically, the decision to suspend operations at Galore Creek was based entirely upon the true capital costs of the project, and not on any alteration to the Galore Creek construction plan or any market factors, such as increased labor costs. In fact, the scope of the project “*did not change.*” Defendant Van Nieuwenhuyse made this clear:

[The] scope [of the project] did not change. It was more in looking at a more detailed engineered [sic] review of how that work was going to get done. It was in that process that it was identified that

the work would take longer, require more people and that is what has led to the significant increase in the cost.

177. Defendant Van Nieuwenhuysse stated that NovaGold and Teck “reached this decision after extensive review and the realization that capital costs have increased significantly.” Defendant Lindsay concluded that “when you add \$2 billion or more to the capital cost,” you need to reevaluate the economic viability of a project, and we “think the most important thing is for us to minimize expenses right now while we look at alternative ways to develop it.”

178. According to NovaGold’s website, AMEC’s “new feasibility study, scheduled for 2009, will update cost estimates for the project and may allow for the recommencement of construction.”

VIII. LOSS CAUSATION/ECONOMIC LOSS

179. During the Class Period, as detailed herein, the NovaGold Defendants engaged in a course of conduct that artificially inflated NovaGold’s stock price and operated as a fraud or deceit on the Class Period purchasers of NovaGold stock by misrepresenting or omitting facts concerning NovaGold’s business, operations, and prospects. Specifically, the NovaGold Defendants’ materially false and misleading statements either misrepresented or failed to disclose that, *inter alia*, (i) the Hatch Feasibility Study was “obsolete” before it was completed; (ii) the Hatch Feasibility Study was not a “bankable” feasibility study; (iii) Galore Creek construction costs were not “on budget” and were in fact rising drastically “across the board” prior to the secondary offering; (iv) the true capital costs of the Galore Creek project were in fact in excess of US\$4 billion; (v) the Galore Creek project was not economically viable due to its extremely high capital costs; and (vi) the Hatch Feasibility Study was not a comprehensive Study nor was it the “final” study performed on Galore Creek.

180. During the Class Period, Lead Plaintiffs and the Class purchased NovaGold stock at artificially inflated prices and suffered an economic loss when the artificial inflation was removed from NovaGold's stock price on November 26, 2007. On that day, prior to the opening of the American Stock Exchange or Toronto Stock Exchange, investors learned the truth about the Galore Creek project when the NovaGold Defendants disclosed, *inter alia*, the gross inadequacies of the Hatch Feasibility Study, the true capital costs for construction of a mine at Galore Creek, and that NovaGold was suspending operations at Galore Creek because the project was not economically viable.

181. As a direct result of the NovaGold Defendants' November 26, 2007 disclosures, NovaGold's stock price dropped by over 53 percent from a closing price of US\$20.24 per share on Friday, November 23, 2007, to a closing price of US\$9.48 per share on Monday, November 26, 2007, on trading volume of 29,082,919 shares or more than 24 times the Class Period average.

182. In sum, when the truth about the NovaGold Defendants fraud was revealed on November 26, 2007, NovaGold's stock price declined as the artificial inflation came out of the stock, and Lead Plaintiff and other members of the Class were damaged thereby. Had Lead Plaintiff and the Class known of the material adverse information alleged herein, they would not have purchased or otherwise acquired NovaGold stock at artificially inflated prices.

IX. FRAUD-ON-THE-MARKET PRESUMPTION OF RELIANCE

183. The market for NovaGold's stock was open, well-developed and efficient at all relevant times. As a result of the NovaGold Defendants' materially false and misleading statements and failures to disclose, as detailed herein, NovaGold's common stock traded at artificially inflated prices during the Class Period. The artificial inflation continued until at least the end of the Class Period. Lead Plaintiff and other members of the Class purchased or

otherwise acquired NovaGold stock relying upon the integrity of the market price of NovaGold's stock and market information relating to NovaGold, and have been damaged thereby.

184. During the Class Period, the NovaGold Defendants materially misled the investing public, thereby inflating the price of NovaGold's stock, by publicly issuing false and misleading statements and omitting to disclose material facts necessary to make the NovaGold Defendants' statements, as set forth herein, not false and misleading. The statements and omissions were materially false and misleading in that they failed to disclose material adverse information and misrepresented the truth about NovaGold, its business, and operations. Specifically, the NovaGold Defendants failed to disclose, *inter alia*, that (i) the Hatch Feasibility Study was "obsolete" before it was completed; (ii) the Hatch Feasibility Study was not a "bankable" feasibility study; (iii) the true capital costs of the Galore Creek project were in fact in excess of US\$4 billion; (iv) the Galore Creek project was not economically viable due to its extremely high capital costs; and (v) the Hatch Feasibility Study was not a comprehensive Study nor was it the "final" study performed on Galore Creek.

185. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Lead Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false or misleading statements about, *inter alia*, the validity of the Hatch Feasibility Study, the actual capital costs for construction of a mine at Galore Creek, and the true economic feasibility of the Galore Creek project. These material misstatements and omissions had the cause and effect of creating in the market an unrealistically positive assessment of NovaGold, thus causing NovaGold's stock to be overvalued and artificially inflated at all relevant times. The NovaGold

Defendants' materially false and misleading statements during the Class Period resulted in Lead Plaintiff and other members of the Class purchasing NovaGold's stock at artificially inflated prices, thus causing the damages complained of herein.

X. NO SAFE HARBOR PROTECTION

186. The statutory safe harbor for certain forward-looking statements does not apply to the misrepresentations and omissions alleged in this Consolidated Complaint. Many of the statements were not specifically identified as "forward-looking statements" when made. To the extent that there were any properly identified forward-looking statements, there were no meaningful cautionary statements identifying the important then-present factors that could and did cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statement pleaded herein, the NovaGold Defendants are liable nonetheless because at the time each of the misrepresentations was made, the particular speaker(s) knew that the statement was materially false or misleading, and/or the forward-looking statement was authorized and/or approved by an executive officer or director of NovaGold who knew that the statement was materially false and misleading when made.

187. Any warnings or other cautionary language contained in the press releases and other public statements described herein were generic, "boilerplate" statements of risk that would affect any similar company, and misleadingly contained no factual disclosure of any of the problems affecting the Company which placed the ability of the Company to accurately depict its own financial situation into serious question. As such, any forward-looking statements complained of herein were not accompanied by meaningful cautionary language.

188. Any relevant purported risk disclosures were, in fact, false and misleading in and of themselves, by virtue of the fact that the events which the risk disclosures purported to warn against as contingencies had frequently already become a reality or a certainty.

XI. EXCHANGE ACT CAUSES OF ACTION

COUNT I

AGAINST THE NOVAGOLD DEFENDANTS
FOR VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT
AND RULE 10B-5 PROMULGATED THEREUNDER

189. Lead Plaintiff incorporates by reference and realleges each and every allegation contained above as if fully set forth herein.

190. This claim is brought pursuant to Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder, against Defendants NovaGold, GCMC, Van Nieuwenhuyse, MacDonald, Brown, Harris, Brack, Halvorson, McConnell, Nauman, and Philip (collectively, the “NovaGold Defendants”).

191. During the Class Period, the NovaGold Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of NovaGold’s stock; and (iii) cause Lead Plaintiff and other members of the Class to purchase NovaGold’s stock at artificially inflated prices. In furtherance of this unlawful scheme, plan, and course of conduct, the NovaGold Defendants, and each of them, took the actions set forth herein.

192. The NovaGold Defendants, individually and in concert, directly and indirectly by the use of means and instrumentalities of interstate commerce, the mails, the facilities of national securities exchange: (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements

not misleading; and (iii) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of NovaGold's stock in an effort to maintain artificially inflated market prices for NovaGold's stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. The NovaGold Defendants are each sued as primary participants in the wrongful and illegal conduct charged herein. Defendants Brack, Brown, Halvorson, Harris, MacDonald, McConnell, Nauman, Van Nieuwenhuyse, and Philip (collectively, the "NovaGold Individual Defendants") are also sued as controlling persons of NovaGold as alleged below.

193. In addition to the duties of full disclosure imposed on the NovaGold Defendants as a result of their making of affirmative statements and reports, or participation in the making of affirmative statements and reports to the investing public, the NovaGold Defendants had a duty to promptly disseminate truthful information that would be material to investors in compliance with the integrated disclosure provisions of the SEC as embodied in SEC Regulation S-X (17 C.F.R. Sections 210.01 et seq.) and Regulation S-K (17 C.F.R. Sections 229.10 et seq.) and other SEC regulations, including, but not limited to, accurate and truthful information with respect to NovaGold's business, operations, and prospects so that the market price of NovaGold's stock would be based on truthful, complete, and accurate information.

194. The NovaGold Defendants employed devices, schemes, and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of NovaGold's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about NovaGold and its business

operations and future prospects in the light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices, and a course of business that operated as a fraud and deceit upon the purchasers of NovaGold's stock during the Class Period.

195. The NovaGold Individual Defendants' primary liability, and controlling person liability, also arises from the following facts: (i) the NovaGold Individual Defendants were high-level executives and/or directors at NovaGold during the Class Period and members of NovaGold's management team or had control thereof; (ii) each of the NovaGold Individual Defendants, by virtue of his or her responsibilities and activities as a senior officer and/or director of NovaGold was privy to and participated in the creation, development and reporting of NovaGold's internal budgets, plans, projections and/or reports; (iii) each of the NovaGold Individual Defendants enjoyed significant personal contact and familiarity with the other NovaGold Individual Defendants and was advised of and had access to other members of NovaGold's management team, internal reports and other data and information about NovaGold's business, operations, and projections at all relevant times; and (iv) each of the NovaGold Individual Defendants was aware of NovaGold's dissemination of information to the investing public that he knew or recklessly disregarded was materially false and misleading.

196. The NovaGold Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. The NovaGold Defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing NovaGold's operating condition and future business prospects from the investing public and supporting the artificially inflated price

of its stock. As demonstrated by the NovaGold Defendants' overstatements and misstatements of NovaGold's business, operations and prospects throughout the Class Period, the NovaGold Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

197. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of NovaGold's stock was artificially inflated during the Class Period. In ignorance of the fact that market prices of NovaGold's publicly-traded stock were artificially inflated, and relying directly or indirectly on the false and misleading statements made by the NovaGold Defendants, or upon the integrity of the market in which the stock trades, and/or on the absence of material adverse information that was known to or recklessly disregarded by the NovaGold Defendants but not disclosed in public statements by the NovaGold Defendants during the Class Period, Lead Plaintiff and the other members of the Class acquired NovaGold stock during the Class Period at artificially high prices and were damaged when that artificial inflation was removed from the price of NovaGold's stock once the true condition of the Company was revealed.

198. At the time of said misrepresentations and omissions, Lead Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Lead Plaintiff and the other members of the Class and the marketplace known of the truth concerning NovaGold's business operations and future prospects, which were not disclosed by the Novagold Defendants, Lead Plaintiff and other members of the Class would not have purchased or otherwise acquired their NovaGold stock, or, if they had acquired such stock during the Class Period, they would not have done so at the artificially inflated prices which they paid.

199. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

200. As a direct and proximate result of the NovaGold Defendants' wrongful conduct, Lead Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of NovaGold stock during the Class Period.

COUNT II

AGAINST THE NOVAGOLD INDIVIDUAL DEFENDANTS FOR VIOLATIONS OF SECTION 20(A) OF THE EXCHANGE ACT

201. Lead Plaintiff incorporates by reference and realleges each and every allegation contained above as if fully set forth herein.

202. This claim is asserted against Defendants Van Nieuwenhuyse, MacDonald, Brown, Harris, Brack, Halvorson, McConnell, Nauman, and Philip (collectively, the "NovaGold Individual Defendants"). Throughout the Class Period, the NovaGold Individual Defendants by virtue of their positions, stock ownership and/or specific acts described above, were controlling persons of NovaGold within the meaning of Section 20(a) of the Exchange Act.

203. The NovaGold Individual Defendants had the power to, and did, directly and indirectly, exercise control over NovaGold, including the content and dissemination of statements which Plaintiffs allege are false and misleading. The NovaGold Individual Defendants were each provided with and/or had access to reports, filings, press releases and other statements alleged to be misleading prior to and/or shortly after they were issued and had the ability to prevent the issuance or correct the statements. The NovaGold Individual Defendants had direct and supervisory involvement in the day to day operations of NovaGold and engaged in the acts constituting violations of the federal securities laws, as set forth in Count One above.

204. The NovaGold Individual Defendants culpably participated in the matters alleged herein because, among other things, they knew, or were reckless in not knowing, that the statements set forth above were materially false and misleading, or omitted material information. Facts giving rise to the NovaGold Individual Defendants' culpable participation are set forth in detail above.

205. The NovaGold Individual Defendants acted as controlling persons of NovaGold within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions, and their ownership and contractual rights, participation in and/or awareness of NovaGold's operations and/or intimate knowledge of the false statements issued by NovaGold and disseminated to the investing public, the NovaGold Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of NovaGold, including the content and dissemination of the various statements that Lead Plaintiff contends are false and misleading. The NovaGold Individual Defendants were provided with or had unlimited access to copies of NovaGold's reports, press releases, public filings and other statements alleged by Lead Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

XII. SECURITIES ACT ALLEGATIONS

206. In the allegations and claims set forth in this part of the Complaint, Lead Plaintiff asserts a series of strict liability and negligence claims against the NovaGold Defendants (excluding GCMC), the Director Defendants, the Underwriter Defendants, and the Hatch Defendants (collectively, the "Securities Act Defendants"), pursuant to the Securities Act on behalf of itself and the Class (as defined in ¶ 41 above).

207. Lead Plaintiff's Securities Act claims are not based on any allegations of knowing or reckless misconduct on behalf of any of the Securities Act Defendants. Lead Plaintiff's Securities Act claims do not allege, and do not sound in, fraud, and Lead Plaintiff specifically disclaims, pursuant to *In re Suprema Specialties, Inc. Sec. Litig.*, 438 F.3d 256 (3d Cir. 2006), any reference to or reliance upon allegations of fraud in these non-fraud claims under the Securities Act.

208. The Securities Act allegations set forth below arise from defendant NovaGold's secondary offering of 12.5 million shares of common stock (the "Offering") pursuant to its Amended Registration Statement on Form F10/A filed with the SEC on April 16, 2007, which became effective on April 17, 2007, together with the documents incorporated by reference and the base shelf prospectus therein (the "April 16 Registration Statement"), and the Prospectus dated April 19, 2007, filed with the SEC on April 20, 2007, which included two parts: (i) the prospectus supplement, which describes the terms of the Offering, and (ii) the base shelf prospectus, which was also contained in the April 16 Registration Statement, (the "April 19 Prospectus" and collectively with the April 16 Registration Statement, the "Registration Statement").

A. Material Misstatements And Omissions In The Registration Statement

209. As detailed herein, the Registration Statement in its entirety, and specifically the sections set forth below, was materially false and misleading and omitted to state material facts necessary to make it not misleading.

210. More specifically, at page 12 and elsewhere, the Registration Statement stated that the capital cost for the Galore Creek mine was approximately US\$1.8 billion. Furthermore, the Registration Statement included the following under the heading "Summary Financial Results":

Galore Creek — Summary Financial Results

| | <u>Units</u> | <u>Base Case</u> |
|---|-----------------|------------------|
| Mine Basis | | |
| Mine Life | Years | 22 |
| Ore Tonnage milled | M tonnes | 522 |
| Strip Ratio (waste to ore) | | 1.64 |
| Mill throughput (nominal) | Tonnes per day | 65,000 |
| Total capital cost (mine facilities + infrastructure) ⁽¹⁾ | US \$(millions) | 1,805 |
| Sustaining capital cost ⁽¹⁾ | US \$(millions) | 122 |
| Unit Operating Costs | | |
| Mining cost per tonne mined ⁽¹⁾ | US\$/t | 1.22 |
| Milling / Process cost per tonne ore ⁽¹⁾ | US\$/t | 3.05 |
| G&A cost per tonne ore ⁽¹⁾ | US\$/t | 0.80 |
| Total Cash Cost First 5 Years (net of precious metal credits) ⁽³⁾ | US\$/lb Cu | 0.38 |
| Total Cash Cost First 5 Years (net of copper and silver credits) ⁽³⁾ | US\$/oz Au | (889) |
| Total Cash Cost Life of Mine (net of precious metal credits) ⁽³⁾ | US\$/lb Cu | 0.62 |
| Total Cash Cost Life of Mine (net of copper and silver credits) ⁽³⁾ | US\$/oz Au | (874) |
| Total Co-product Cost First 5 Years (copper) | US\$/lb Cu | 0.67 |
| Total Co-product Cost First 5 Years (gold) | US\$/oz Au | 150 |
| Total Co-product Cost Life of Mine (copper) | US\$/lb Cu | 0.82 |
| Total Co-product Cost Life of Mine (gold) | US\$/oz Au | 200 |

⁽¹⁾ Converted from Canadian dollars to U.S. dollars at the base case \$1.00 = US\$0.81 long-term exchange rate.

⁽²⁾ Average metal price based on N. Seldon Marketing Report with long-term staggered metal prices.

⁽³⁾ Cash cost is not a term recognized by Canadian GAAP or U.S. GAAP and includes mining costs, processing costs (including transportation and refining), and local production taxes and royalties but excludes end-of-mine reclamation accruals.

211. These figures set forth in the Registration Statement, and recreated above, were materially false and misleading when made, and omitted to state material information required to make the statements therein not misleading, because at the time the Registration Statement became effective, the construction costs for Galore Creek were at least C\$3.5 billion, and the true capital cost to build Galore Creek was in fact at least US\$4 billion (or nearly C\$5 billion), more than double the amount provided in the Registration Statement.

212. The Registration Statement also falsely stated the nature of the Hatch Feasibility Study and the fact that it “confirmed” the economic viability of the mine operations:

In October 2006, Hatch Ltd., an independent engineering services company, together with a number of specialized consultants, **completed** a feasibility study (the “Galore Creek Feasibility Study”) for the Galore Creek project. This study **confirms** the economic viability of a conventional open-pit mining operation using long-term metals prices and provides the basis for the Company’s first proven and probable reserves for copper, gold and silver.

A financial analysis using the base case parameters set out below indicates that the Galore Creek project is expected to generate an after-tax internal rate of return of approximately 10.6% and have an undiscounted after-tax net present value of US\$1.74 billion.

(emphasis added)

213. Furthermore, the Registration Statement incorporated by reference several additional documents, specifically:

- (a) annual information form of the Company for the year ended November 30, 2006, dated February 27, 2007;
- (b) audited comparative consolidated financial statements of the Company for the years ended November 30, 2006 and 2005 together with the notes thereto and the auditors’ report thereon, including management’s discussion and analysis for the year ended November 30, 2006;
- (c) management information circular of the Company dated April 28, 2006, prepared in connection with the Company’s annual and special meeting of shareholders held on May 31, 2006;
- (d) material change report, dated December 15, 2006, announcing the approval of a new Shareholder Rights Plan, to take effect December 7, 2006, the day following the expiry of Barrick’s takeover bid; and
- (e) material change report, dated February 20, 2007.

214. These documents incorporated by reference into the Registration Statement were materially false and misleading and omitted to state material facts necessary to make them not misleading. For instance, the February 20, 2007 Change Report, which was dated February 9, 2007, stated that the Hatch Feasibility Study was the “final” feasibility study and that the mine was economically viable:

A *final* Feasibility Study for the Galore Creek project, completed in October 2006, provided substantial Proven and Probable Reserves for NovaGold and confirmed the economics and mine plan of the project.

(emphasis added)

215. Under the heading “Use of Proceeds,” the Registration Statement stated:

The net proceeds of any offering of Securities under a Prospectus Supplement will be used to fund further exploration at, and initial construction of, the Galore Creek project, to fund general exploration and development on the Company’s other projects and for general corporate purposes.

This statement was materially false and misleading because it did not disclose that the proceeds were in fact being used to conduct a new feasibility study to determine the true capital cost for the mine and its economic viability.

216. The Registration Statement, at pages 31-44, lists a multitude of risk factors that may impact negatively upon NovaGold’s business, operations, and financial condition. Among the risks delineated in the Registration Statement was that “[a]ctual capital costs, operating costs, production and economic returns may differ significantly from those NovaGold has anticipated and there are no assurances that any future development activities will result in profitable mining operations.” In this regard, the Registration Statement specifically states:

Capital and operating costs, production and economic returns, and other estimates contained in the Galore Creek feasibility study or other feasibility studies or economic assessments, *if prepared*, may differ significantly from those anticipated by NovaGold’s current

studies and estimates, and there can be no assurance that the Company's actual capital and operating costs will not be higher than currently anticipated.

(Emphasis added). The risk factors identified in the Registration Statement were materially false and misleading and omitted to state material facts necessary to make them not misleading, because at the Registration Statement became effective, AMEC was already in the process of creating a completely "new" feasibility study on Galore Creek.

217. In addition, the Hatch Feasibility Study was itself materially false and misleading in that it purported to include an accurate assessment of "all the direct and indirect costs and appropriate project estimating contingencies for all the facilities required to bring the Galore mine into production, as defined by a feasibility level of engineering effort."

218. Pursuant to SEC Rule 408, 17 C.F.R. § 230.408, the Registration Statement shall include, "in addition to the information expressly required to be included in a registration statement, ... such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made not misleading." As detailed herein, the Registration Statement in its entirety, and as set forth specifically above, was materially false and misleading and omitted to state material facts to make it not misleading. In addition to the reasons set forth herein, the Registration Statement was materially false and misleading when it became effective, because, but not limited to, the fact it (i) did not disclose the true capital cost of the Galore Creek project; (ii) stated that the project was economically viable; (iii) stated that the Hatch Report was the "final" feasibility study that "confirmed" the economic viability of the project; (iv) stated that the proceeds for the Offering were to be used for construction and development of the Galore Creek mine; and (v) failed to disclose that at the time of the Offering, the NovaGold Defendants had decided to retain AMEC to conduct a "new" study to determine the true capital costs for the project.

XIII. SECURITIES ACT CAUSES OF ACTION

COUNT III

AGAINST THE ISSUER, THE DIRECTOR DEFENDANTS, MACDONALD, THE UNDERWRITER DEFENDANTS, AND THE HATCH DEFENDANTS FOR VIOLATIONS OF SECTION 11 OF THE SECURITIES ACT

219. Lead Plaintiff repeats and realleges each and every allegation above as if fully set forth herein. For purposes of this Count, Lead Plaintiff asserts only strict liability and negligence claims and expressly disclaims any claim of fraud or intentional misconduct.

220. This Count is brought pursuant to Section 11 of the Securities Act against defendant NovaGold; Director Defendants Brack, Halvorson, McConnell, McFarland, Nauman, Van Nieuwenhuysse, and Philip; Defendant MacDonald; Underwriter Defendants Citigroup, Citigroup Canada, RBC, Scotia, Cormark, and MGI; and Hatch Defendants Hatch Ltd. and Rustad.

221. This claim is brought on behalf of Lead Plaintiff and other members of the Class who, during the Class Period, purchased or otherwise acquired NovaGold common stock issued pursuant or traceable to the Registration Statement.

222. Defendant NovaGold was the registrant and issuer of the NovaGold common stock pursuant to the Registration Statement.

223. Defendants Brack, Halvorson, MacDonald, McConnell, Nauman, Van Nieuwenhuysse, and Philip each signed the Registration Statement.

224. At the time the Registration Statement became effective, defendants Brack, Halvorson, McConnell, Nauman, Van Nieuwenhuysse, and Philip were each directors of NovaGold.

225. Defendants Citigroup, Citigroup Canada, RBC, Scotia, Cormark, and MGI were statutory underwriters of the Offering of NovaGold common stock as admitted in the Registration Statement.

226. Defendants Hatch and Rustad are named with consent, in the Registration Statement and prepared the Hatch Feasibility Study, which was used in connection with the Registration Statement.

227. As set forth above, the Registration Statement contained untrue statements of material fact, including the economic viability of and capital costs associated with Galore Creek. In addition, the Registration Statement omitted to state other facts required to be stated therein or necessary to make the statements therein not misleading.

228. Defendant NovaGold, as the issuer, is strictly liable for the material misstatements and omissions contained in the Registration Statement.

229. The other defendants named in this Count owed to Lead Plaintiff and the Class the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement, to ensure that the statements contained or incorporated by reference therein were true and that there was no omission to state a material fact required to be stated therein in order to make the statements contained therein not misleading.

230. These defendants did not make a reasonable and diligent investigation of the statements contained or incorporated by reference in the Registration Statement, and did not possess reasonable grounds for believing that the Registration Statement did not contain an untrue statement or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

231. The Underwriter Defendants named in this Count did not conduct a reasonable investigation of the statements contained in and incorporated by reference in the Registration Statement and did not possess reasonable grounds for believing that the statements contained therein were true and not materially misstated. In particular, the Underwriter Defendants did not conduct a reasonable investigation into the accuracy of the statements regarding the economic viability of and capital costs associated with Galore Creek. The Underwriter Defendants could not simply rely on the work performed or statements made by NovaGold or the Hatch Defendants because the investing public relies on the underwriters to obtain and verify relevant information and then make sure that important facts are accurately disclosed. Thus, the Underwriter Defendants must conduct their own, independent and reasonable investigation into the accuracy of the Company's statements and conclusions, and they were negligent in failing to do so sufficiently in connection with the Offering.

232. Similarly, the Director Defendants named in this Count were negligent in failing to conduct a reasonable investigation of the statements contained in the Registration Statement and did not possess reasonable grounds for believing that the Registration Statement was free of untrue statements of material fact or omitted to state material facts required to be stated therein to make the statements in the Registration Statement not misleading.

233. Defendants Hatch and Rustad consented to inclusion of their names in the Registration Statement, and to the use of the Hatch Feasibility Study in connection with the Registration Statement. Defendants Hatch and Rustad failed to perform their duties regarding the preparation of the Hatch Feasibility Study. The Hatch Defendants did not make a reasonable and diligent investigation of the statements used in connection with the Registration Statement. The Hatch Defendants did not possess reasonable grounds for believing that the Registration

Statement did not contain any untrue statement or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

234. Lead Plaintiff and members of the Class purchased NovaGold common stock issued pursuant or traceable to the Registration Statement and were damaged thereby.

235. Lead Plaintiff and the Class did not know, nor in the exercise of reasonable diligence could have known, of the untrue statements of material fact or omissions of material facts in the Registration Statement when they purchased or acquired their securities. Less than one year has elapsed between the time they discovered or reasonably could have discovered the facts upon which this Count is based and the time this claim was brought. Less than three years have elapsed between the time that the securities upon which this Count is brought were bona fide offered to the public and the time this action was commenced.

236. By reason of the foregoing, the defendants named in this Count are liable to Plaintiff and members of the Class for violations of Section 11 of the Securities Act.

COUNT IV

AGAINST THE ISSUER AND THE UNDERWRITER DEFENDANTS FOR VIOLATIONS OF SECTION 12(A)(2) OF THE SECURITIES ACT

237. Lead Plaintiff repeats and realleges each and every allegation above as if fully set forth herein. For purposes of this Count, Lead Plaintiff asserts only strict liability and negligence claims and expressly disclaims any claim of fraud or intentional misconduct.

238. This Count is brought pursuant to Section 12(a)(2) of the Securities Act against Defendant NovaGold and Underwriter Defendants Citigroup, Citigroup Canada, RBC, Scotia, Cormark, and MGI.

239. This claim is brought on behalf of Lead Plaintiff and other members of the Class who, during the Class Period, purchased or otherwise acquired NovaGold common stock issued pursuant to the April 19 Prospectus.

240. Defendant NovaGold solicited the purchase of its common stock by the use of means or instruments of transportation or communication in interstate commerce or of the mails and by means of the April 19 Prospectus. NovaGold solicited the purchase of shares of its common stock pursuant to the April 19 Prospectus for its own financial interest.

241. The Underwriter Defendants named in this Count are sellers within the meaning of the Securities Act because they (a) transferred title to Plaintiff and other purchasers of NovaGold common stock; (b) transferred title of NovaGold common stock to other purchasers and/or broker-dealers that sold the transferred NovaGold common stock; and/or (c) solicited the purchase of NovaGold common stock by Lead Plaintiff and other members of the Class, motivated at least in part by a desire to serve their own financial interests and the interests of defendant NovaGold, including but not limited to commissions on their own sales of NovaGold common stock and separate commissions on the sale of NovaGold common stock by non-underwriter broker-dealers.

242. As alleged herein, the April 19 Prospectus contained untrue statements of material fact, including, but not limited to, statements regarding the economic viability of and capital costs associated with Galore Creek. In addition, the April 19 Prospectus omitted to state material facts required to be stated therein or necessary to make the statements therein not misleading, including, but not limited to, the fact that NovaGold decided, at the time the April 19 Prospectus was filed, to retain AMEC to conduct a “more detailed” feasibility study of Galore Creek. The

misstated and omitted facts would have been material to a reasonable person reviewing the April 19 Prospectus.

243. Defendant NovaGold and the Underwriter Defendants named in this Count owed to Lead Plaintiff and the Class the duty to make a reasonable and diligent investigation of the statements contained in the April 19 Prospectus, to ensure that the statements contained or incorporated by reference therein were true and that there was no omission to state a material fact required to be stated therein in order to make the statements contained therein not misleading.

244. Defendant NovaGold and the Underwriter Defendants named in this Count did not make a reasonable and diligent investigation of the statements contained or incorporated by reference in the April 19 Prospectus and did not possess reasonable grounds for believing that the April 19 Prospectus did not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

245. Lead Plaintiff and members of the Class purchased NovaGold common stock pursuant to the April 19 Prospectus and were damaged thereby.

246. Lead Plaintiff and the Class did not know, nor in the exercise of reasonable diligence could have known, of the untrue statements of material fact or omissions of material facts in the April 19 Prospectus when they purchased or acquired the securities. Less than one year has elapsed between the time they discovered or reasonably could have discovered the facts upon which this Count is based and the time this claim was brought. Less than three years have elapsed between the time that the securities upon which this Count is brought were bona fide offered to the public and the time this action was commenced.

247. By reason of the foregoing, defendant NovaGold and the Underwriter Defendants named in this Count are liable to Lead Plaintiff and members of the Class for violations of Section 12(a)(2) of the Securities Act. Lead Plaintiff and Class members hereby tender their securities to their respective sellers and seek rescission of their purchases to the extent that they continue to own such securities. Class members who have sold their NovaGold common stock seek damages to the extent permitted by law.

COUNT V

AGAINST THE OFFICER DEFENDANTS FOR VIOLATIONS OF SECTION 15 OF THE SECURITIES ACT

248. Lead Plaintiff repeats and realleges each and every allegation above as if fully set forth herein. For purposes of this Count, Lead Plaintiff asserts only strict liability and negligence claims and expressly disclaims any claim of fraud or intentional misconduct.

249. This Count is brought pursuant to Section 15 of the Securities Act against Officer defendants Van Nieuwenhuysse, MacDonald, Brown, and Harris.

250. NovaGold violated Section 11 of the Securities Act by issuing the Registration Statement which contained untrue statements of material fact and omitted to state material facts required to be stated therein or necessary in order to make the statements therein not misleading. The facts misstated and omitted would have been material to a reasonable person reviewing the Registration Statement.

251. NovaGold violated Section 12(a)(2) of the Securities Act by soliciting the purchase of NovaGold common stock by means of the April 19 Prospectus which contained untrue statements of material fact and omitted to state material facts required to be stated therein or necessary in order to make the statements therein not misleading. The facts misstated and omitted would have been material to a reasonable person reviewing the April 19 Prospectus.

252. The Officer Defendants were controlling persons of NovaGold when the Registration Statement became effective because of their senior executive positions with NovaGold and their direct involvement in NovaGold's day-to-day operations, including its mining operations at Galore Creek.

253. By virtue of the foregoing, the Officer Defendants each had the power to influence and control, and did influence and control, directly or indirectly, the decision-making of NovaGold, including the content of the Registration Statement.

254. The Officer Defendants acted negligently and without reasonable care regarding the accuracy of the information contained and incorporated by reference in the Registration Statement and lacked reasonable grounds to believe that such information was accurate and complete in all material respects.

255. Lead Plaintiff and members of the Class purchased NovaGold common stock pursuant or traceable to the Registration Statement and/or pursuant to the April 19 Prospectus for this Offering, and were damaged thereby.

256. Lead Plaintiff and the Class did not know, nor in the exercise of reasonable diligence could have known, of the untrue statements of material fact or omissions of material facts in the Registration Statement when they purchased or acquired the securities.

257. By reason of the foregoing, the Officer Defendants are liable to Lead Plaintiff and members of the Class for violations of Section 15 of the Securities Act.

XIV. PRAYER FOR RELIEF

WHEREFORE, Lead Plaintiff, on behalf of itself and the other members of the Class, pray for judgment as follows:

- a. declaring this action to be a proper class action maintainable pursuant to Rule 23 of the Federal Rules of Civil Procedure;

- b. awarding Lead Plaintiff and the other members of the Class rescissory and compensatory damages as a result of the wrongs alleged in Count IV of the Complaint;
- c. awarding Lead Plaintiff and the other members of the Class compensatory damages as a result of the wrongs alleged in Counts I, II, III, and V of the Complaint;
- d. awarding Lead Plaintiff and the other members of the Class their costs and expenses in this litigation, including reasonable attorneys' fees and experts' fees and other costs and disbursements; and
- e. awarding Lead Plaintiff and the other members of the Class such other and further relief as the Court may deem just and proper.

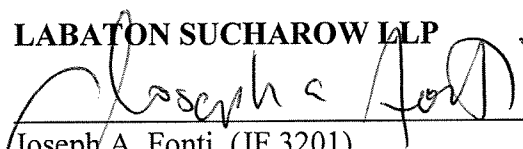
JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury of all issues so triable.

Dated: December 22, 2008

LABATON SUCHAROW LLP

By:



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Employees' Retirement System and Lead
Counsel for the Class*

710206

GLOSSARY OF TERMS

I. Tailings, Waste Rock and Open-Pit Mining

(a) “Tailings” are the materials left over after the process of separating the valuable minerals from the worthless portion of the ore (*i.e.*, ore is the rock that contains minerals such as gemstones and precious metals that can be extracted through mining operations and an ore body refers to the collection of ore at a particular mining location.)

(b) “Waste Rock” is the portion of the mined area that does not contain valuable minerals.

(c) An “open-pit mine” is a type of mine used when an ore body is located relatively close to the surface but spread out over a large area. The open-pit mine is created by digging out a vast pit of waste rock in order to reach the ore body that lies beneath the surface. Unlike underground mining, where narrow, targeted tunnels are used to reach the ore body, open-pit mining requires the excavation of every inch of waste rock above the ore body before cultivation of the metals can begin.

(d) Due to the “open-pit” nature of the mine at Galore Creek, the handling of the tailings and waste rock was the most significant engineering challenge and capital expenditure. Moreover, once extracted from the earth, the tailings and waste rock would need to be permanently stored. Given the massive quantities of material, the Hatch Feasibility Study provided for the waste rock and tailings to be deposited on the Grace Claims section of the Galore Creek Valley between two peaks, and the construction of a single “tailings dam” that would permanently hold back the material in the Valley.

II. Tailings Dams and Water Management

(e) A “tailings dam” is structure built to permanently enclose the tailings and waste rock from a particular mine project.

(f) In addition to the tailings dam at Galore Creek, but related thereto, another primary focus of concern was the management of surface waters in the Galore Creek Valley. In order for the mine to operate, the water from the Galore Creek had to be diverted around the mine site and tailings dam, creating “a significant issue for both construction and operations.” The “diversion channels” would be constructed to direct as much fresh water from the tailings dam as practical, carrying it past the mine site, and discharging it back into the Galore Creek river bed approximately 7.5 miles downstream of the tailings dam.

III. Feasibility Studies

(g) An “order of magnitude” feasibility study is an initial financial appraisal of discovered mineral resources. This type of study typically involve a preliminary mine plan and provides the basis for determining whether or not to proceed with a more detailed exploration program. Order of magnitude studies are developed by copying the plans of similarly situated mining projects and factoring in known costs from those existing projects completed elsewhere. Order of magnitude studies are usually accurate to within 40-50 percent of actual costs.

(h) “Pre-feasibility studies” or “preliminary feasibility studies” are more detailed, and are used to determine whether to proceed with a so-called bankable feasibility study. In addition, these studies are used to determine areas within a particular project that require more attention. Pre-feasibility studies are typically completed by a

small group of multi-disciplined technical individuals and have an accuracy within 20-30 percent of actual costs.

(i) “Bankable feasibility studies” or “detailed feasibility studies” are the most comprehensive and will determine definitively whether or not to proceed with a particular project. A bankable feasibility study will be the basis for capital appropriation, and will provide the budget figures for a project. Bankable feasibility studies require a significant amount of formal engineering work and are accurate to within 10-15%.

EXHIBIT A

CERTIFICATION

I, Jerome Davis, Chairman of the New Orleans Employees' Retirement System ("New Orleans"), hereby certify as follows:

1. I am fully authorized to enter into and execute this Certification on behalf of New Orleans. I have reviewed a complaint alleging violations of the federal securities laws prepared against NovaGold Resources, Inc. ("NovaGold");

2. New Orleans did not purchase NovaGold at the direction of counsel or in order to participate in any private action under the federal securities laws;

3. New Orleans is willing to serve as a lead plaintiff in this matter, including providing testimony at deposition and trial, if necessary;

4. New Orleans' transactions in NovaGold during the class period are reflected in Exhibit A, attached hereto;

5. New Orleans has sought to serve as a lead plaintiff in the following class actions under the federal securities laws during the last three years, but either withdrew its motion for lead plaintiff or was not appointed as lead plaintiff;

Chicago Bridge & Iron Securities Litigation, No. 1:06-cv-01283-JES (S.D.N.Y.)

In re Teletech Litigation, No. 1:08-cv-00913-LTS (S.D.N.Y.)

6. New Orleans is currently serving as lead plaintiff in the *In re Celestica Inc. Securities Litigation*, No. 1:07-cv-00312-GBD (S.D.N.Y.) which was brought in 2006. New Orleans also serves as lead plaintiff in *In re Omnicom Group Inc. Securities Litigation*, No. 1:02-cv-04483-WHP-MHD (S.D.N.Y.), but which was brought in 2002.

7. Beyond its pro rata share of any recovery, New Orleans will not accept payment for serving as a lead plaintiff on behalf of the class, except the reimbursement of such reasonable costs and expenses (including lost wages) as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct this 25

day of September, 2008.

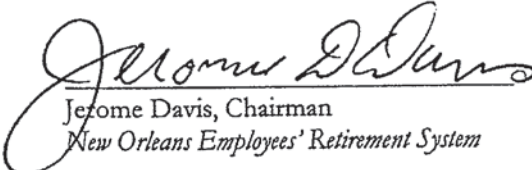

Jerome Davis, Chairman
New Orleans Employees' Retirement System

EXHIBIT A

**TRANSACTIONS IN
NOVAGOLD RESOURCES, INC.**

| Transaction Type | Trade Date | Shares | Price Per Share | Cost/ Proceeds |
|-------------------------|-------------------|---------------|------------------------|-----------------------|
| Purchase | 01/25/07 | 2,400.00 | \$ 16.37 | (\$39,383.28) |
| Purchase | 02/08/07 | 2,300.00 | \$ 16.48 | (\$37,985.88) |
| Purchase | 04/19/07 | 2,800.00 | \$ 16.06 | (\$45,016.44) |
| Purchase | 04/19/07 | 3,650.00 | \$ 16.25 | (\$59,312.50) |
| Purchase | 05/01/07 | 110.00 | \$ 13.90 | (\$1,530.98) |
| Purchase | 05/01/07 | 190.00 | \$ 13.88 | (\$2,641.55) |
| Purchase | 05/08/07 | 2,050.00 | \$ 14.84 | (\$30,455.83) |
| Purchase | 05/10/07 | 900.00 | \$ 13.89 | (\$12,514.50) |
| Purchase | 09/04/07 | 2,400.00 | \$ 14.39 | (\$34,591.92) |
| Sale | 10/11/07 | -4,100.00 | \$ 18.80 | \$76,914.82 |
| Sale | 11/01/07 | -1,300.00 | \$ 19.14 | \$24,857.69 |
| Sale | 11/02/07 | -800.00 | \$ 19.37 | \$15,476.48 |
| Sale | 11/02/07 | -100.00 | \$ 19.15 | \$1,913.49 |