

WHEN RECORDED RETURN TO:
Hill, Cassas, de Lipkau & Erwin
P. O. Box 2790
Reno, NV 89505

Mining Lease

This Mining Lease is made and entered into effective as of the 1st day of December, 1987 by and between N. Renee & Joseph W. Mueller, P.O. Box 528, Conifer, CO, USA, 80433 (hereinafter referred to as "Owner," whether one or more) and NovaGold Resource Nevada Inc. (hereinafter referred to as "Lessee"), which has an office and place of business at 2nd. Flr., 1583 Hollis St., Halifax, Nova Scotia, Canada B3J 1V4.

Recitals

A. Owner owns certain unpatented mining claims situated in Lincoln County, State of Nevada and more particularly described on Exhibit "A" attached hereto and by this reference incorporated herein.

B. Owner desires to grant unto Lessee, and Lessee desires to acquire from Owner, a mining lease of such unpatented mining claims pursuant to which Lessee will have the sole and exclusive right to explore for, develop, extract, mine, market, sell or otherwise dispose of all locatable minerals therefrom.

Agreement

Now, therefore, for and in consideration of Fifteen Thousand Dollars (\$15,000.00) in hand paid by Lessee to Owner, and of the Advance Royalty, Production Royalty, and mutual covenants contained and provided for herein, the receipt and sufficiency of which are hereby admitted and acknowledged, the parties hereto agree as follows:

1. **Grant.**

(a) Owner hereby grants, leases, lets and demises unto Lessee, its successors and assigns, all of the unpatented mining claims described on Exhibit "A," together with all of the rights, privileges, and easements thereto incident (all of which is hereinafter called the "Leased Premises"), for the purpose and with the sole and exclusive right and privilege during the term of this Mining Lease of exploring for, developing, mining, treating, shipping, and otherwise exploiting and disposing of any and all locatable metals, ores, and minerals of every kind and character whatsoever, precious and base, metallic and non-metallic including concentrates, tailings, rock, muck piles, pregnant solutions, dore and any and all by products and waste products, which are or may hereafter be found in, on, or under the Leased Premises (hereafter called the "Subject Minerals").

(b) Owner further grants to Lessee the sole and exclusive right and privilege to do any and all things which Lessee shall deem necessary to accomplish any or all of the

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purposes and rights set forth in this Mining Lease, including, without limitation, the sole and exclusive right and privilege to enter upon the Leased Premises for purposes of surveying, exploring for, prospecting for, sampling, drilling, developing, mining (whether by underground, strip, open pit, solution mining or other methods), stockpiling, removing, shipping, processing, marketing or otherwise disposing of any of the Subject Minerals; to construct, use, maintain, repair, replace, and relocate buildings, roads, tailings ponds, waste dumps, ditches, pipelines, power and communication lines, structures, mills, processing facilities, utilities, and other improvements and facilities reasonably required by Lessee for the full enjoyment of the Leased Premises for the purposes set forth in this Mining Lease; to use so much of the Leased Premises and the surface and subsurface thereof as may be reasonably necessary, convenient or suitable for the storage, and/or permanent disposal of wastes, residues, tailings or other by-products of development, production or other operations; to use and destroy so much of the surface and subsurface of the Leased Premises as may be reasonably necessary, convenient, suitable for or incidental to any of the rights and privileges of Lessee hereunder or otherwise reasonably necessary to effect the purpose of this Mining Lease; to use easements and all rights-of-ways for ingress and egress to and from the Leased Premises to which Owner may be entitled; to appropriate and use any surface and underground water or rights of Owner thereto now existing or subsequently discovered or developed in or on the Leased Premises; to mine, remove, and transport Subject Minerals from the Leased Premises through nearby property owned or operated by Lessee, and to mine, remove, and transport Subject Minerals from such nearby property across or through the Leased Premises; and to exercise all other rights which are incidental to any or all of the rights specified, mentioned, or referred to herein.

2. Title.

Owner represents and warrants to the best of its knowledge and belief; (a) that it is the sole legal and equitable owner of the entire and undivided possessory right and ownership of the Leased Premises, without limitation or restriction whatsoever, except for paramount title in the United States of America; (b) that all of the unpatented mining claims that comprise the Leased Premises were properly located in accordance with federal and state law; (c) that the locations have been properly maintained in accordance with federal and state law; and (d) that all filings and recordings of location certificates, affidavits, instruments, notices, and other documents have been made to the extent required by, and in compliance with, the Federal Land Policy and Management Act of 1976, regulations thereunder, and any other applicable federal or state law or regulation. Owner represents and warrants: (a) that the Leased Premises are free and clear of all leases, liens,

and other encumbrances; and (b) that it has full power and authority and is authorized to execute this Mining Lease.

3. Title Information and Defects.

Promptly upon execution of this Mining Lease, Owner shall furnish to Lessee copies of all title information relating to the Leased Premises that Owner has in Owner's possession or control, including location notices, status reports, and proofs of assessment work. Lessee shall have sixty (60) days from the date hereof in which to examine title to the claims. If in Lessee's sole discretion title is defective and Lessee so notifies Owner within the 60 day period set forth herein, Lessee may, at its option, terminate this agreement without any obligation whatsoever, and will be entitled to refund of any payments made to Owner in consideration of this agreement. Lessee shall have the right, but not the obligation, to take whatever action it deems necessary or desirable to perfect, defend, or cure title to any of the Leased Premises, and Owner shall execute all documents and take such other actions as may be reasonably necessary to assist Lessee. The costs and expenses incurred by Lessee in perfecting, defending or curing such title shall be deducted from Production Royalty payable under Section 6 of the Mining Lease to the extent said defects existed from the date of execution hereof. Without diminishing Owner's warranties hereunder, in the event that title to the Leased Premises or any portion thereof is less than the whole and undivided mineral estate in the Subject Minerals, then the rentals, Advance Royalty, and Production Royalty herein provided shall be paid to Owner only in the proportion that Owner's interest bears to the whole and undivided mineral estate in the Subject Minerals in the Leased Premises or portion thereof. If at any time Lessee discovers or is informed that title to the Leased Premises or any portion thereof is less than the whole and undivided mineral estate in the Subject Minerals, and without waiving any other rights and remedies against Owner, Lessee may withhold and retain as its property from Advance Royalty and Production Royalty payments thereafter becoming due Owner hereunder, any amounts representing payments previously made to Owner in excess of Owner's interest in the Leased Premises or portion thereof. Owner makes no warranty, express or implied, as to the mineral content of the Leased Premises. Owner further makes no warranty as to the existence of a verifiable discovery on each claim within the meaning of the 1872 Mining Law by judicial or administrative interpretations.

4. Term of Mining Lease.

This Mining Lease is granted for an initial term of Twenty (20) years from and after the date hereof, and for so long thereafter as operations resulting in the production of Subject Minerals continue on the Leased Premises or Lessee makes the

Advance Royalty payments provided for herein. Such operations shall be deemed as being continued unless and until, after the end of the initial term, a period of one hundred eighty (180) consecutive days elapses in which there is no production of Subject Minerals from the Leased Premises; provided that such one hundred eighty-day period shall be extended by any period of force majeure occurring within such one hundred eighty-day period, pursuant to Section 23 of this Mining Lease. Unless otherwise specified, all references to the "term" of this Mining Lease shall mean and include the initial term, and any term continued by operations upon the Leased Premises.

5. Payments.

On or before each anniversary date, while this Mining Lease remains in effect, Lessee shall pay to the Owner the following sums in U.S. dollars:

December 1, 1988 - \$25,000.00

December 1, 1989 and annually thereafter \$50,000.00

Cash payments made December 1, 1990 and annually thereafter shall be "Advance Royalty," and shall constitute prepayment of, and advances against, Production Royalty accruing at any time during the term of this Mining Lease. One half of all production royalties due to owner exceeding \$50,000 in any year can be applied against the previously paid advance royalties.

After production of Subject Minerals commences, the Advance Royalty payable to Owner on or before any specified payment date, shall be only that amount by which the Advance Royalty set forth in this Section 5 exceeds Production Royalty paid to Owner in the four (4) calendar quarters immediately preceding such anniversary date.

6. Production Royalty.

There is hereby reserved to Owner as "Production Royalty" the sums stated on Exhibit "B" attached hereto and by this reference made a part hereof. Payment of Production Royalty shall be made by Lessee to Owner within twenty-five (25) days after the end of the calendar quarter in which such Production Royalty accrues. Production Royalty shall be deemed to accrue when Lessee receives payment of the purchase price for ores or concentrates sold by it and for which Production Royalty is payable hereunder, or if the concentrates are retained by Lessee for further processing by or for it, and are deemed sold as provided in Exhibit "B", Production Royalty shall be deemed to accrue when such further processing occurs. Each such payment shall be accompanied by a settlement sheet from the purchaser and a statement setting forth in reasonable detail the basis for the calculation of such Production Royalty.

All statements rendered to Owner by Lessee shall be conclusively presumed to be true and correct after sixty (60) days from the date they are delivered to Owner unless within said

period Owner takes exception thereto and makes written claim on Lessee for adjustment. If Owner fails to make written claim for adjustment within such period, the statement shall be conclusively deemed correct, and no exception or claim for adjustment shall thereafter be permitted, but such period of limitation shall not apply in the event of fraud by Lessee. No adjustments favorable to Lessee shall be made unless within such period or unless in connection with a claim of Owner.

The mineral content of all ore mined and removed from the Leased Premises shall be determined by Lessee, or by the mill, smelter, or other processing facility to which the ore is shipped, in accordance with generally accepted sampling and analysis procedures. Upon request to Lessee, and at Owner's expense, Owner shall have the right to have a representative present at the time samples are taken.

If Lessee mills or otherwise processes the ore from the Leased Premises, Owner shall be furnished at Owner's request and at no expense to Owner, a portion of all samples taken for analysis. Split samples shall then be retained by Lessee for later analysis by an independent referee to be selected by mutual agreement of the parties and, in the event of a dispute concerning Lessee's assay of samples, Production Royalty payments shall be based on the assay results determined by the independent referee. Except in the event of fraud committed by Lessee, all statements or reports wherein Lessee's assay of samples are set forth shall be conclusively presumed to be true and correct, unless, within sixty (60) days after such statements or reports are delivered to Owner, Owner makes written objection thereto and demands an assay by the independent referee; and unless objection and demand is made within such period, Lessee shall have no duty to continue to preserve the split samples after the end of such period. The cost of the independent referee shall be paid by the party whose assay show the greatest variance from that of the independent referee.

7. Manner of Making Payments.

All payments to Owner required by this Mining Lease shall be paid by Lessee's check payable to the order of Joseph W. Mueller, or, at Lessee's option, to the First Interstate Bank of Golden, N.A., at P.O. Box 428, Golden, CO. 80402-0428, U.S.A., or its successor bank, for Joseph W. Mueller's credit. A single payment or tender to said depository bank shall be made by mail or by delivering a check to it and such a payment shall effectively and for all purposes whatsoever constitute full payment of the amount thereof to Owner to the same extent as if made to it directly.

8. Royalty Buyout.

If on or before December 1, 1990, lessee, in its sole discretion, elects to buy Owner's remaining royalty interest, it

shall deliver to Owner written notice of its election. The notice shall be accompanied by certified funds in the amount of one million five hundred thousand U.S. dollars (\$1,500,000.00). The exercise of the buyout shall be effective upon Owner receiving the written notice and certified funds. Lessee shall have no obligation to purchase the Owner's royalty interest.

9. No Implied Covenants.

Owner understands, and expressly acknowledges and agrees, that no implied covenant or condition whatsoever shall be read into this Mining Lease relating to exploration, development, prospecting, mining, or production, or the time therefore, or to any obligation of Lessee hereunder, or to the measure of diligence thereof. The performance of annual assessment work as required by Section 14 of this Mining Lease and the payments of Advance Royalty and Production Royalty made to Owner hereunder shall be in lieu of any such obligations that might otherwise be implied by law.

10. Manner of Work.

All of the work which may be performed by Lessee hereunder shall be performed in a good and workmanlike manner and in accordance with sound mining and engineering practices, but the timing, nature, manner and extent of any exploration, development, or mining operations shall be within the sole discretion of Lessee. Lessee shall comply with all laws, rules, and regulations pertaining to any operation or activities hereunder of federal, state and local authorities. If Lessee at any time, and from time to time after commencing operations or production, desires to shut down or cease operations or production for any reason, it shall have the right to do so, provided it makes the payments set forth in Section 5 of this Mining Lease.

Lessee may use and employ such methods of mining as it may desire or find most profitable. Lessee shall not be required to mine, preserve, or protect in its mining operations any ore containing Subject Minerals or other product containing Subject Minerals ("product" as used in this Section 10, includes concentrates, precipitates, and other mixtures resulting from the recovery process), which under good mining practices cannot be mined or shipped at a reasonable profit to Lessee at the time encountered. Any decision as to the manner and form in which ores or other products containing Subject Minerals are to be sold shall be made by Lessee in its sole discretion.

Lessee shall have the right to mix, underground, at the surface, or in the processing plants, any ores containing Subject Minerals or other products containing Subject Minerals produced from the Leased Premises or any portion thereof with ore containing Subject Minerals or other products containing Subject Minerals from any other lands, provided that the mixing is

accomplished only after the products have been determined or ascertained by sound engineering principles. Before Lessee intends to implement or change any procedure to mix ores or products containing Subject Minerals, Lessee shall provide Owner with all relevant details concerning the reason for mixing and the manner of measuring to be employed so that Owner can consent to the procedure to be employed. Owner's consent will not unreasonably be withheld. If Owner takes no action within a thirty (30) day period after notice is given, Owner shall be deemed to have consented to the procedure and Lessee may employ it in Lessee's operations hereunder. An accurate record of the tonnage or volume of products and the analysis of products from each property going into such mixture shall be kept and made available to Owner at all reasonable times. The tonnage or volume of ores containing Subject Minerals from the Leased Premises, together with the analysis thereof, shall be used as the basis of the allocation between various properties of Production Royalty to be paid.

Lessee shall comply with all laws concerning reclamation and protection of the environment on the Leased Premises. To the extent Lessee's obligations under such laws arise during the term hereof, those obligations will survive termination of this Agreement. Appropriate bonds shall be established to cover all reclamation costs and proof of such shall be made to the Owner.

11. Technical Information.

Promptly following the execution of this Mining Lease, Owner shall deliver to Lessee all geological, geophysical, geochemical and engineering data and information in Owner's control which relates to the Leased Premises.

12. Records, Inspection and Confidentiality.

Owner and Owner's agents, duly authorized in writing, may enter upon the Leased Premises to inspect the same, during normal business hours, at such times as shall not unreasonably hinder or interrupt the operations and activities of Lessee. Upon written request of Owner, Lessee shall make available to Owner factual data obtained on the Leased Premises and all records of assay reports, weight tickets or other factual data pertaining to the calculation of Production Royalty under this Mining Lease. Lessee shall not be obligated to furnish Owner with access to any interpretative data that deals with geologic concepts or other internal proprietary data, information or analysis. Owner shall enter upon the Leased Premises at Owner's own risk and expense and hereby indemnifies and holds Lessee harmless from any loss, damage, claim or demand by reason of injury to or the presence of Owner, Owner's agents, representatives, licensees, guests, or any of them, on the Leased Premises or approaches thereto.

Owner agrees to treat all information acquired hereunder as confidential and agrees that Owner shall not use the name of Lessee, its parent, subsidiaries or affiliates in any document or press release, or disclose any information Owner may obtain hereunder to third parties or to the public without first having obtained the written approval of Lessee.

13. Amendment, Relocation and Patent of Claims;
Changes in Federal Mining Law

This Mining Lease shall constitute full and irrevocable power and authority during the term hereof for Lessee to relocate or file additional and/or amended location certificates on any of the unpatented mining claims subject to this Mining Lease. Further, this Mining Lease shall constitute full and irrevocable power and authority during the term hereof for Lessee to apply (at Lessee's sole cost and expense) for a United States mineral patent in the name of Owner to any or all of the unpatented mining claims that comprise the Leased Premises, and Owner agrees to assist in such application in any manner requested by Lessee. If Lessee makes such relocation or files such additional and/or amended location certificates as to such unpatented mining claims or applies for a United States mineral patent to any or all of such unpatented mining claims and such action is unsuccessful or the application is rejected in whole or in part, Lessee shall not be liable to Owner for such loss in any manner whatsoever, provided Lessee has proceeded in good faith in taking such action or making such application. The rights of Lessee and Owner under this Mining Lease shall extend to any and all such amended, relocated, and patented mining claims and, if the boundaries of any mining claims are changed by any such amendment, relocation or patent, the rights of Lessee and Owner hereunder shall also extend to the ground originally included in the Leased Premises claimed by the Owner on the date hereof.

If federal law shall hereafter provide a tenure system for federally owned minerals or lands in which mineral resources may exist and such system is at variance with or in substitution for the existing system provided for mining locations under the General Mining Law of 1872, as amended, and if such law shall give the owners of unpatented mining claims an option to acquire rights under the new law in exchange for or in modification of their existing rights, this Mining Lease shall constitute full power and authority to Lessee to make such election. In the event such election is made, in order to keep this Mining Lease in force and effect as to such unpatented mining claims, Lessee shall pay all minimum or advance royalties, rentals, bonus payments, or other fees required by such substituted for modified tenure system.

14. Assessment Work and Recording.

So long as this Mining Lease remains in force and effect, Lessee shall perform all assessment work required by federal and state laws and regulations to maintain the unpatented

mining claims subject to this Mining Lease, and shall record and file affidavits of such performance (or notices of intent to hold such mining claims) in the appropriate county and Bureau of Land Management offices as required or permitted by federal or state law or regulation, including without limitation, the Federal Land Policy and Management Act of 1976 (the "Act"). Lessee shall provide Owner by August 1st of each assessment work year with evidence that such assessment work has been completed. Lessee shall mail such affidavits by certified mail, return receipt requested, to the appropriate office no later than thirty (30) days before they are due and send a copy of the letter and all materials being filed or recorded to the Owner. Lessee shall not be liable for the loss of unpatented mining claims for failure to perform assessment work or failure to comply with the Act, provided it performs work or records and files such affidavits or notices which it reasonably and in good faith, in accordance with accepted practices of the mining industry, believed to be sufficient to satisfy such work or recording and filing requirements.

So long as this Mining Lease remains in force and effect, Lessee shall have the authority, subject to the provisions of this paragraph, to record with the Bureau of Land Management, pursuant to the Act, the unpatented mining claims comprising the Leased Premises to the extent such claims have not been recorded by Owner prior to the effective date of this Mining Lease. Lessee shall not be liable for the loss of unpatented mining claims for failure to record under this Act, provided it endeavors to record the claims in good faith. Bureau of Land Management filing fees shall be paid by Lessee. If Lessee records the mining claims that comprise the Leased Premises, Lessee shall notify in writing the Owner of such recordation within a reasonable time thereafter. Lessee shall have the authority to file operating plans and transfers of interest as may be required by law for the Leased Premises.

15. Protection From Liens and Damages.

Lessee will save, protect, and hold harmless Owner against any and all claims, demands, attorney's fees, or judgments for injury, loss, or damage arising out of Lessee's activities or operations on the Leased Premises. Lessee shall keep the Leased Premises and the whole and every part thereof free and clear of liens for labor done or work performed upon the Leased Premises or materials furnished to it for the exploration, development, or operation thereof under this Mining Lease, but Lessee shall have the right to dispute or contest the validity of such liens. Lessee's liability under this Section shall terminate upon termination of this Mining Lease, except for causes of action accruing before the date of termination. Before mining operations begin, Lessee shall post conspicuous signs at main entrances to the Leased Premises and at all entrances to any

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office on the Leased Premises which read as follows: "This property is leased to NovaGold Resources, Ltd. (or the then-lessee), and payment for any labor performed on or material supplied to this property shall be the sole responsibility of such lessee. /signed/Joseph W. Mueller, lessor (specify then-current address)."

Lessee shall maintain insurance covering its operations on Leased Premises, and such policies shall name Owner as an additional insured. During exploration the limits of the policy shall be not less than \$500,000 for injury or accidental death, and \$100,000 for property damage. At such time as actual mining commences, the limits shall be increased to \$1,000,000 for injury or accidental death and \$500,000 for property damage.

16. Taxes.

So long as this Mining Lease remains in effect, Lessee shall pay all lawful public taxes and assessments, whether general, specific, or otherwise, assessed and levied upon or against the mining rights or attributable to Lessee's operations, or upon any ores and other products thereof, or upon any property or improvements placed on the Leased Premises by Lessee; provided that if any tax is now or hereafter levied on or measured by production, including severance and similar taxes, the Owner shall pay a pro rata share of such taxes attributable to the Production Royalty reserved herein. If Lessee so elects, it may initially pay such taxes levied on or measured by production, and then deduct Owner's pro rata share of such taxes from any Advance Royalty or Production Royalty payments thereafter due Owner. Lessee shall have the right to contest in the courts or otherwise, the validity or amount of any taxes or assessments if Lessee deems the same to be unlawful, unjust, unequal or excessive, or to take such other steps or proceedings as Lessee may deem necessary to secure a cancellation, reduction, readjustment or equalization thereof before Lessee shall be required to pay the same, but in no event shall Lessee permit or allow title to the Leased Premises to be lost as the result of nonpayment of any taxes, assessments or other such charges while this Mining Lease is in effect. Owner agrees to pay any and all taxes assessed or levied on the Advance Royalty or Production Royalty payments made to it by Lessee.

17. Right of Offset; Disputes or Adverse Claims.

If Owner fails to duly satisfy and discharge any mortgage, lien, or encumbrance chargeable solely to Owner on the Leased Premises or suffers or permits any lien or encumbrance to be imposed upon the Leased Premises, Lessee at its option may, but shall not be obligated to, pay and discharge any such mortgage, lien or encumbrance and Lessee may reimburse itself for any such payment by withholding and retaining from Advance Royalty and Production Royalty any amounts so paid by Lessee

without prejudice to any right of Lessee to recover from Owner or against the Leased Premises in any manner or by any remedy whatsoever, and Lessee shall have all of the rights and remedies against Owner which the mortgagee, lienor, or creditor had immediately prior to the time of such payment. Upon the request of Lessee, Owner shall promptly make, execute, acknowledge and deliver to Lessee any and all instruments (in form and substance satisfactory to Lessee) which Lessee in its sole judgment, shall deem necessary or desirable to fully effectuate the provisions of this paragraph.

In case of suit, adverse claims, dispute, or questions as to title to the Leased Premises or ownership of any Advance Royalty, Production Royalty, or other payment or interest therein payable to Owner, Lessee may withhold any payment due Owner that is attributable to the portion of the Leased Premises that is the subject of the dispute and place it in an interest-bearing escrow account until such suit, claim, dispute, or questions have been finally resolved, and lessee shall have sixty (60) days after being furnished with instruments evidencing such resolution within which to make payment. Both parties shall have the right, at their own cost and expense, to contest any condemnation proceedings initiated against the Leased Premises.

18. Default; Termination by Owner.

The breach by Lessee of any obligation arising under this Mining Lease (the word "obligation" shall specifically be construed so as to include the paying of any amounts due and owing pursuant to the provisions of Sections 5 and 6, as well as any other payments due under other terms and provisions of this Mining Lease), shall not work a forfeiture, condition or termination of this Mining Lease, nor cause a termination or reversion of the estate created hereby, nor be grounds for cancellation in whole or in part. If Owner considers that there has been a breach of any obligation, Owner, shall notify Lessee, in writing, of the facts relied upon as constituting a breach hereof and Lessee, if in default, shall have thirty (30) days [ten (10) days in the case of payment of money] after receipt of the notice in which to commence compliance with the obligations imposed by virtue of this Mining Lease.

19. Termination by Lessee.

This Mining Lease shall terminate automatically at the end of its initial term unless the term is extended pursuant to Section 4 of this Mining Lease, or unless sooner terminated. Lessee shall have the right at any time to terminate this Mining Lease as to the unpatented mining claims comprising the Leased Premises by giving notice of such election to terminate in the manner set forth in Section 25 of this Mining Lease; provided, however, that such notice may not be given within the last ninety (90) days of the assessment work year unless Lessee shall have

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performed all assessment work for that assessment work year and shall have agreed to record and file affidavits of such assessment work as required or permitted. Upon such termination, all right, title, interest and obligation of Lessee hereunder in and to the Claims specified in the notice shall terminate except obligations which then have accrued under the express provisions of this Agreement and which then have not been paid or performed, including accrued exploration expenditure obligations and all applicable environmental and regulatory agency requirements.

20. Evidence of Release.

In the event of termination of this Mining Lease as to all or any part of the Leased Premises, Lessee shall surrender peaceably to Owner possession of the Leased Premises covered by the notice of termination and shall deliver to Owner an appropriate instrument releasing and terminating its interest under this Mining Lease to any such portion of the Leased Premises. If requested to do so within ninety (90) days after termination of this Mining Lease as to all or any portion of the Leased Premises, Lessee shall deliver to Owner all factual information, such as geological and geophysical data, assays, claim maps, logs, drill hole locations, mining feasibility studies, a split of all available core or other samples, and other similar factual data, obtained by Lessee in its operations on the Leased Premises or portion thereof as to which this Mining Lease is terminated. It is expressly understood and agreed that Lessee is not obligated to furnish Owner with interpretative data that deals with geologic concepts or other internal proprietary data, information or analysis.

21. Rights After Termination.

Lessee shall have the right, for a period of one (1) year after termination of this Mining Lease, to remove all buildings, improvements, equipment, structures, residue or tailings remaining after the initial processing or milling of the crude ores mined from the Leased Premises, and personal property erected or placed in or upon the Leased Premises by Lessee; provided that such right of removal shall not extend to foundations and mine timbers in place unless Owner shall have given Owner's prior written consent thereto. This one-year period shall be extended by any period of force majeure as provided in Section 23 of this Mining Lease arising during such one-year period. Any such property not removed within the time provided herein shall become the sole property of Owner, and Lessee shall have no right, title, interest, obligation, or liability with respect thereto. Lessee shall also have the right of reasonable ingress to and egress from the Leased Premises for so long after termination of this Mining Lease as is necessary for Lessee to accomplish such reclamation or restoration of the Leased Premises or to make such inspections as may be required of Lessee by state or federal law.

22. Assignment.

Lessee shall have the right to freely assign this Mining Lease in whole or in part or to sublease all or portions of the Leased Premises at any time during the term hereof and to contract with others to work any mine or mines upon the Leased Premises. Lessee shall notify Owner promptly of any such assignments or subleases.

Any conveyance by Owner of interests in the Leased Premises or assignment of rights under this Mining Lease shall be subject to this Mining Lease and shall not be binding upon Lessee until Lessee has been furnished with the original or a certified copy of the instrument effecting such conveyance or assignment.

23. Force Majeure.

If Lessee is unable, wholly or in part, to perform any of the terms or covenants of this Mining Lease, other than the covenants to pay Advance Royalty and Production Royalty, by reason of damage or delay resulting from disaster, disturbances, shortage or unavailability of labor or material or equipment, strikes, lockouts, other industrial disturbances, acts of God, acts of the public enemy, war, blockage, riot, insurrection, lightning, fire, storm, flood, inclement weather, explosion, or any regulations, governmental delay and restraints (including, but not limited to, land use, and environmental controls or the inability to obtain necessary permits), or on account of any eventuality or conditions, whether or not similar to those specifically enumerated above, beyond the reasonable control of Lessee, Lessee shall be excused from performance of any obligation affected by such condition during the period required to overcome the delay and for sixty (60) days thereafter, and the time for performance of Lessee's obligations affected by said condition and the term of this Mining Lease shall be extended for a like period. Lessee agrees to give notice promptly to Owner of such events of force majeure after the occurrence or discovery thereof and to use reasonable diligence to remove causes of force majeure as may occur from time to time; provide, however, the disposition, settlement or handling of strike, lockouts, or other labor difficulties and disturbances shall be entirely within the discretion of Lessee.

24. Recording of Short Form Notice.

If requested by Lessee, Owner agrees to execute a memorandum of this Mining Lease (short form) for the sole purpose of recordation in the real property records sufficient to give record notice, pursuant to the laws of the State of Nevada, of the existence of this Mining Lease. This Mining Lease shall not be recorded without the written consent of Lessee.

25. Notices.

Any notice, election, or other correspondence required or permitted hereunder shall be deemed to have been properly given when made in writing and effective when delivered personally to the party to whom directed, or when deposited in the United States certified mail, or when sent by telegraph, with all necessary postage or charges fully prepaid, return receipt requested (or in the case of a telegram, confirmation of delivery), and addressed to the party to whom directed at its below specified address:

As to Lessee: NovaGold Resources Nevada Inc.
2nd. Flr. 1583 Hollis St.
Halifax, Nova Scotia
Canada B3J 1V4

As to Owner: Joseph W. Mueller
P.O. Box 528
Conifer, Colorado 80433
U.S.A.

Either party hereto may change its address for the purpose of receiving notices or communications hereunder by furnishing notice thereof to the other party in compliance with this Section 25.

26. Entire Mining Lease.

This Mining Lease contains the entire agreement, express or implied, of the parties hereto, and the parties agree that no promises or representations of any nature which shall be binding upon them have been made by either of them to the other which are not set forth herein.

27. Construction.

This Mining Lease and the rights of the parties hereunder shall be governed by the laws of the United States and the State of Nevada. If this Mining Lease or any provision hereof is found to be inconsistent with or contrary to any such law or regulation thereunder, this Mining Lease shall be regarded as being modified to the extent required to comply with such law or regulation, and, as so modified, shall continue in full force and effect. The headings used herein are for convenience of reference only and shall not be taken or construed to define or limit any of the terms or provisions hereof. Unless otherwise provided or unless the context shall otherwise require, words importing the singular number shall include the plural number, words importing the masculine gender shall include the feminine gender, and vice versa.

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28. Subsequent Changes.

It is understood and agreed that no change, alteration or modification of this Mining Lease or any of the covenants and agreements herein contained shall be effective unless made in writing, dated subsequent hereto, and signed by all parties.

29. Inurement.

This Mining Lease shall inure to the benefit of and shall be binding upon all of the heirs, executors, legal representatives, administrators, successors in interest and assigns of the parties hereto.

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IN WITNESS WHEREOF, the parties have executed this Mining Lease effective as of the day and year first above written.

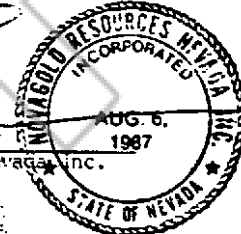
OWNER:

Joseph W. Mueller
Joseph W. Mueller

N. Renee Mueller
N. Renee Mueller

LESSEE:

NovaGold Resources Nevada, Inc.
NovaGold Resources Nevada, Inc.



(Owner's Statement)

STATE OF COLORADO)
) ss.
COUNTY OF JEFFERSON)
 DENVER

The foregoing instrument was acknowledged before me this 5th day of January, 1988, by Joseph W. Mueller and N. Renee Mueller.

Witness my hand and official seal.

Mary Ann Yudes
Notary Public

My commission expires: July 10, 1990

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(Lessee's Statement)

On this 11th day of December, 1987, before me, a Notary Public in and for Nova Scotia, duly commissioned and sworn, personally appeared GERALD J. McCONNELL, who acknowledged that he executed this lease in his capacity as President of NOVAGOLD RESOURCES NEVADA INC. and on behalf of said corporation and that the corporation executed this lease.



NOTARY PUBLIC

JANICE A. STAIRS
A Notary Public in and for the
Province of Nova Scotia

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**EXHIBIT A
TO
Mining Lease
DATED DECEMBER 1, 1987
BETWEEN
Joseph W. Mueller and N. Renee Mueller
"OWNER"
and
NOVAGOLD RESOURCES NEVADA INC.
"LESSEE"**

The claims in Sections 15, 16, 21, 22, 27, 28, Township 2N, Range 69E, Lincoln County, State of Nevada, deemed to consist of 800 acres (whether more or less).

Patented Claims

<u>Claim Name</u>	<u>Mineral Survey No.</u>
-------------------	---------------------------

No patented claims.

Unpatented Claims

<u>Claim Name</u>	<u>County Recordation Data</u>		<u>BLM Serial No.</u>
	<u>Book</u>	<u>Page</u>	
Au 11, 13, 15-20, 22-25	39	469	NMC148987-
	38	409-420	148999
Horse 1-4, 5-14 (amended), 15-21, 23-25	40	698-699	NMC178773-178788
	41	01-14	189705-189709
	41	473-482	189711-189712
	43	405-409	371225
	43	412-413	
	71	201B	
	75	480	
Au Fraction 14, 15, 21	50	478-480	NMC242369-242371

A. The following "Area of Interest" in Lincoln County, Nevada, is subject to the special provisions contained in paragraph B of this Exhibit "A":

Any lands within one (1) mile of the exterior perimeter of claims hereinabove described in this Exhibit "A".

Initialled for identification:

Owner JWM
 Owner RNM
 Lessee [Signature]

B. The parties to the Mining Lease to which this Exhibit "A" is attached (hereinafter, "the Mining Lease") agree that the "Area of Interest" described in paragraph A of this Exhibit "A" is subject to the following special provisions:

- (1) If Owner or any person acting for or on behalf of said Owner locates or otherwise acquires any additional claims of any nature in the Area of Interest, such claims, at the option of Lessee, shall be subject to the Mining Lease, provided that any Production Royalty payable on Subject Minerals from such additional claims shall be payable at the rate set forth in Exhibit "B" to the Mining Lease for production within the Area of Interest and not within the Leased Premises.
- (2) Should the Lessee locate any additional claims within the Area of Interest it will do so in its name, provided, however, that all claims so located will be subject to the Production Royalty provisions set forth in Exhibit "B" to the Mining Lease for production within the Area of Interest and not within the Leased Premises, but such claims shall not be subject to the Advance Royalty provisions hereof.
- (3) It is further understood that the Mining Lease shall not preclude Lessee from dealing with any other present or future locator who may independently locate claims within the Area of Interest after the effective date of the Mining Lease and that any mining claims acquired by Lessee from such independent locator shall not be subject to the Mining Lease.
- (4) Upon termination of this agreement, any additional claims, properties or rights acquired by Lessee in the Area of Interest shall be quit-claimed to Owner.

Initialed for Identification:

Owner: JMM
Owner: JMM
Lessee: [Signature]

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EXHIBIT B
 TO
 Mining Lease
 DATED DECEMBER 1, 1987
 BETWEEN
 Joseph W. Mueller and N. Renee Mueller
 "OWNER"
 and
 NOVAGOLD RESOURCES NEVADA INC.
 "LESSEE"

Owner reserves as Production Royalty to a cap of three million U.S. dollars (\$3,000,000), five percent (5%) of the "Gross Value", as that term is hereinafter defined, of all ores containing Subject Minerals, mined or otherwise recovered and removed from the Leased Premises. Owner is also granted by Lessee a Production Royalty of five percent (5%) of the Value of all ores containing Subject Minerals produced from claims subject to the Area of Interest provisions of paragraphs A and B of Exhibit "A" to the Mining Lease during the term of such Mining Lease.

When ores containing Subject Minerals are sold by Lessee in raw form before any processing or beneficiation, in an arms length transaction to a purchaser that is not affiliated with Lessee, the "Value" of the ores shall be deemed to be the actual amount received by Lessee from the sale of the ores, after deducting transportation costs from the mine to the point of sale and deductions made by the purchaser of any of the ores for sampling, assaying, and penalties.

If after milling or beneficiation the concentrate is delivered for further processing to a smelter or other processing facility before they are sold by Lessee, the "Value" shall be the amount realized by and paid or credited to Lessee for the Subject Minerals by the processing facility, smelter, or other purchaser, after adding purchaser credits and deducting purchaser penalties, severance and similar taxes, and transportation charges from the mill to the processing facility, smelter, or other purchaser.

In the event, smelting or refining are carried out in facilities owned or controlled, in whole or in part by Lessee, the Gross Value of Production Royalty shall be based on the amount which would have been payable to Lessee from a bona fide smelter or other arms length purchaser of products from the property with the same credits and deductions as described in paragraph 3 above.

Initialled for Identification:

Owner: GMW
 Owner: J.P.M.
 Lessee: [Signature]

No. 88288
 FILED AND RECEIVED AT REQUEST OF
 Hill Cassas deLipkau & Erwin
 Feb. 16, 1988
 AT 1:00 P.M. IN THE COUNTY CLERK'S OFFICE
 LINCOLN COUNTY, NEVADA
 FILED IN BOOK 78 OF OFFICIAL
 RECORDS, PAGE 438

FRANK C. HULSE
 COUNTY RECORDER

By Mara Cordic, Deputy BCC 78 PAGE 477