

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

**FORM 10-Q**

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

**For the Quarterly Period Ended August 31, 2020**

**OR**

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

**For the Transition Period from            to**

**Commission File Number: 001-31913**

**NOVAGOLD**

**NOVAGOLD RESOURCES INC.**

(Exact Name of Registrant as Specified in Its Charter)

**British Columbia**

(State or Other Jurisdiction of  
Incorporation or Organization)

**N/A**

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

**201 South Main Street, Suite 400**

**Salt Lake City, Utah, USA**

(Address of Principal Executive Offices)

**84111**

(Zip Code)

**(801) 639-0511**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

<b>Title of Each Class</b>	<b>Trading Symbol</b>	<b>Name of each exchange on which registered</b>
Common Shares, no par value	NG	NYSE American Toronto Stock Exchange

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

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

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

Large accelerated filer

Non-accelerated filer

Smaller reporting company

Accelerated filer

Emerging growth company

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

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

As of September 23, 2020, the Company had 329,912,479 Common Shares, no par value, outstanding.

NOVAGOLD RESOURCES INC.

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

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

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

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

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

- uncertainty of whether there will ever be production at our mineral exploration and development properties;
- our history of losses and expectation of future losses;
- risks related to our ability to finance the development of our mineral properties through external financing, strategic alliances, the sale of property interests or otherwise;
- uncertainty of estimates of capital costs, operating costs, production and economic returns;
- commodity price fluctuations;
- risks related to market events and general economic conditions;
- risks related to the outbreak of the coronavirus global health pandemic (COVID-19);
- risks related to the third parties on which we depend for our exploration and development activities;
- dependence on cooperation of joint venture partners in exploration and development of properties;
- risks related to opposition to our operations at our mineral exploration and development properties from non-governmental organizations or civil society;
- the risk that permits and governmental approvals necessary to develop and operate mines on our properties will not be available on a timely basis, subject to reasonable conditions, or at all;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of our mineral deposits;
- uncertainties relating to the assumptions underlying our resource and reserve estimates, such as metal pricing, metallurgy, mineability, marketability and operating and capital costs;
- risks related to lack of infrastructure required to develop, construct, and operate our mineral properties;
- uncertainty related to title to our mineral properties;

- mining and development risks, including risks related to infrastructure, accidents, equipment breakdowns, labor disputes or other unanticipated difficulties with, or interruptions in, development, construction or production;
- competition in the mining industry;
- risks related to governmental regulation and permits, including environmental regulation;
- risks related to our largest shareholder;
- risks related to conflicts of interests of some of the directors and officers of the Company;
- risks related to the need for reclamation activities on our properties and uncertainty of cost estimates related thereto;
- credit, liquidity, interest rate and currency risks;
- risks related to increases in demand for equipment, skilled labor and services needed for exploration and development of mineral properties, and related cost increases;
- risks related to our need to attract and retain qualified management and technical personnel;
- uncertainty as to the outcome or expense of potential litigation;
- risks related to information technology systems;
- risks related to the Company's status as a "passive foreign investment company" in the United States; and
- risks related to global climate change.

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

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

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

	At August 31, 2020	At November 30, 2019
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$45,348	\$67,549
Term deposits	81,000	81,000
Notes receivable (Note 4)	72,611	—
Other assets (Note 6)	<u>1,158</u>	<u>1,790</u>
Current assets	200,117	150,339
Notes receivable (Note 4)	22,551	92,679
Investment in Donlin Gold (Note 5)	4,005	1,840
Other assets (Note 6)	<u>2,321</u>	<u>977</u>
Total assets	<u><u>\$228,994</u></u>	<u><u>\$245,835</u></u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$968	\$880
Accrued payroll and related benefits	1,674	2,143
Income taxes payable	139	138
Lease obligations (Note 12)	201	—
Other liabilities	<u>182</u>	<u>182</u>
Current liabilities	3,164	3,343
Promissory note (Note 7)	108,375	103,787
Lease obligations (Note 12)	455	—
Deferred income taxes	<u>1,272</u>	<u>751</u>
Total liabilities	<u><u>113,266</u></u>	<u><u>107,881</u></u>
Commitments and contingencies (Notes 7 and 12)		
<b>EQUITY</b>		
Common shares	1,970,299	1,965,573
Contributed surplus	81,135	82,254
Accumulated deficit	(1,911,629)	(1,885,065)
Accumulated other comprehensive loss	<u>(24,077)</u>	<u>(24,808)</u>
Total equity	<u>115,728</u>	<u>137,954</u>
Total liabilities and equity	<u><u>\$228,994</u></u>	<u><u>\$245,835</u></u>

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

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on September 30, 2020. They are signed on the Company's behalf by:

/s/ Gregory A. Lang, Director

/s/ Anthony P. Walsh, Director

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

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

	Three months ended		Nine months ended	
	August 31,		August 31,	
	2020	2019	2020	2019
Operating expenses:				
General and administrative (Note 9)	\$4,745	\$4,075	\$13,846	\$12,630
Equity loss – Donlin Gold (Note 5)	6,150	3,141	11,418	6,662
	<u>10,895</u>	<u>7,216</u>	<u>25,264</u>	<u>19,292</u>
Loss from operations	(10,895)	(7,216)	(25,264)	(19,292)
Interest expense on promissory note	(1,428)	(1,887)	(4,588)	(5,546)
Accretion of notes receivable	835	805	2,483	2,396
Other income (expense), net (Note 10)	(982)	501	1,599	3,520
Loss before income taxes and other items	(12,470)	(7,797)	(25,770)	(18,922)
Income tax expense	(266)	(259)	(794)	(972)
Net loss	<u>(12,736)</u>	<u>(8,056)</u>	<u>(26,564)</u>	<u>(19,894)</u>
Other comprehensive loss:				
Foreign currency translation adjustments	2,345	900	731	22
	<u>2,345</u>	<u>900</u>	<u>731</u>	<u>22</u>
Comprehensive loss	<u>\$(10,391)</u>	<u>\$(7,156)</u>	<u>\$(25,833)</u>	<u>\$(19,872)</u>
Net loss per common share – basic and diluted	<u>\$(0.04)</u>	<u>\$(0.02)</u>	<u>\$(0.08)</u>	<u>\$(0.06)</u>
Weighted average shares outstanding				
Basic and diluted (thousands)	329,598	326,050	329,001	325,280

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

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

	Three months ended		Nine months ended	
	August 31,		August 31,	
	2020	2019	2020	2019
Operating activities:				
Net loss	\$(12,736)	\$(8,056)	\$(26,564)	\$(19,894)
Adjustments:				
Equity loss – Donlin Gold	6,150	3,141	11,418	6,662
Share-based compensation	1,783	1,552	5,259	4,625
Interest expense on promissory note	1,428	1,887	4,588	5,546
Deferred income tax expense	175	169	521	503
Foreign exchange (gain) loss	1,745	782	485	(41)
Accretion of notes receivable	(835)	(805)	(2,483)	(2,396)
Change in fair value of marketable securities	(372)	(190)	(662)	(248)
Other operating adjustments	4	4	14	11
Net change in operating assets and liabilities (Note 13)	832	1,143	267	(52)
Net cash used in operating activities	<u>(1,826)</u>	<u>(373)</u>	<u>(7,157)</u>	<u>(5,284)</u>
Investing activities:				
Proceeds from term deposits	—	40,000	46,000	166,000
Purchases of term deposits	—	—	(46,000)	(119,000)
Funding of Donlin Gold	<u>(6,693)</u>	<u>(3,840)</u>	<u>(13,583)</u>	<u>(7,646)</u>
Net cash provided from (used in) investing activities	<u>(6,693)</u>	<u>36,160</u>	<u>(13,583)</u>	<u>39,354</u>
Financing activities:				
Withholding tax on share-based compensation	—	—	(1,652)	(1,197)
Net cash used in investing activities	<u>—</u>	<u>—</u>	<u>(1,652)</u>	<u>(1,197)</u>
Effect of exchange rate changes on cash	538	108	191	4
Increase (Decrease) in cash and cash equivalents	<u>(7,981)</u>	<u>35,895</u>	<u>(22,201)</u>	<u>32,877</u>
Cash and cash equivalents at beginning of period	<u>53,329</u>	<u>17,986</u>	<u>67,549</u>	<u>21,004</u>
Cash and cash equivalents at end of period	<u><u>\$45,348</u></u>	<u><u>\$53,881</u></u>	<u><u>\$45,348</u></u>	<u><u>\$53,881</u></u>

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

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

	Nine months ended August 31, 2020					Total equity
	Common shares		Contributed surplus	Accumulated deficit	AOCL*	
	Shares	Amount				
November 30, 2019	327,630	\$1,965,573	\$82,254	\$(1,885,065)	\$(24,808)	\$137,954
Share-based compensation	—	—	1,761	—	—	1,761
Performance share units (PSUs) settled in shares	410	1,026	(1,026)	—	—	—
Stock options exercised	560	1,618	(1,618)	—	—	—
Withholding tax on PSUs	—	—	(1,652)	—	—	(1,652)
Net loss	—	—	—	(6,595)	—	(6,595)
Other comprehensive income	—	—	—	—	(455)	(455)
February 29, 2020	328,600	\$1,968,217	\$79,719	\$(1,891,660)	\$(25,263)	\$131,013
Share-based compensation	—	—	1,715	—	—	1,715
Stock options exercised	998	2,082	(2,082)	—	—	—
Net loss	—	—	—	(7,233)	—	(7,233)
Other comprehensive loss	—	—	—	—	(1,159)	(1,159)
May 31, 2020	329,598	\$1,970,299	\$79,352	\$(1,898,893)	\$(26,422)	\$124,336
Share-based compensation	—	—	1,783	—	—	1,783
Net loss	—	—	—	(12,736)	—	(12,736)
Other comprehensive loss	—	—	—	—	2,345	2,345
August 31, 2020	329,598	\$1,970,299	\$81,135	\$(1,911,629)	\$(24,077)	\$115,728

  

	Nine months ended August 31, 2019					Total equity
	Common shares		Contributed surplus	Accumulated deficit	AOCL*	
	Shares	Amount				
November 30, 2018	323,223	\$1,954,861	\$87,987	\$(1,857,682)	\$(24,478)	\$160,688
Cumulative-effect adjustment of adopting ASU No. 2016-01	—	—	—	378	(378)	—
Share-based compensation	—	—	1,531	—	—	1,531
PSUs settled in shares	438	2,737	(2,737)	—	—	—
Stock options exercised	1,443	2,867	(2,867)	—	—	—
Withholding tax on PSUs	—	—	(1,197)	—	—	(1,197)
Net loss	—	—	—	(6,323)	—	(6,323)
Other comprehensive income	—	—	—	—	519	519
February 28, 2019	325,104	\$1,960,465	\$82,717	\$(1,863,627)	\$(24,337)	\$155,218
Share-based compensation	—	—	1,542	—	—	1,542
Stock options exercised	205	468	(468)	—	—	—
Net loss	—	—	—	(5,515)	—	(5,515)
Other comprehensive loss	—	—	—	—	(1,397)	(1,397)
May 31, 2019	325,309	\$1,960,933	\$83,791	\$(1,869,142)	\$(25,734)	\$149,848
Share-based compensation	—	—	1,552	—	—	1,552
DSUs settled in shares	32	120	(120)	—	—	—
Stock options exercised	1,447	3,251	(3,251)	—	—	—
Net loss	—	—	—	(8,056)	—	(8,056)
Other comprehensive income	—	—	—	—	900	900
August 31, 2019	326,788	\$1,964,304	\$81,972	\$(1,877,198)	\$(24,834)	\$144,244

\* Accumulated other comprehensive loss

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

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

**NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

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

The interim Condensed Consolidated Financial Statements (“interim statements”) of NOVAGOLD are unaudited. In the opinion of management, all adjustments and disclosures necessary for a fair presentation of these interim statements have been included. The results reported in these interim statements are not necessarily indicative of the results that may be reported for the entire year. These interim statements should be read in conjunction with NOVAGOLD’s Consolidated Financial Statements for the year ended November 30, 2019. The year-end balance sheet data was derived from the audited financial statements and certain information and footnote disclosures required by United States generally accepted accounting principles (US GAAP) have been condensed or omitted.

The functional currency for the Company’s Canadian operations is the Canadian dollar and the functional currency for the Company’s U.S. operations is the United States dollar. References in these Condensed Consolidated Financial Statements and Notes to \$ refer to United States dollars and C\$ to Canadian dollars. Dollar amounts are in thousands, except for per share amounts.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Recently adopted accounting pronouncements**

*Leases*

In February 2016, Accounting Standards Update (“ASU”) No. 2016-02 was issued which, together with subsequent amendments, is included in ASC 842, Leases. The standard was issued to increase transparency and comparability among organizations by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet for all leases with an initial term greater than one year. Certain qualitative and quantitative disclosures are also required.

On December 1, 2019, the Company adopted this standard using the modified retrospective approach with the effective date as of the date of initial application. Consequently, results for the three- and nine-month periods ended August 31, 2020 are presented under ASC Topic 842. No prior period amounts were adjusted and continue to be reported in accordance with previous lease guidance, ASC Topic 840, Leases. All leases were reassessed under the new standard including lease identification, lease classification, and initial direct costs in relation to its leases in effect as of December 1, 2019. The Company also elected the practical expedients allowing: i) the use of hindsight in determining the lease term and assessing impairment of ROU assets based on all facts and circumstances through the effective date of the new standard; ii) the short-term lease recognition exemption whereby ROU assets and lease liabilities will not be recognized for leasing arrangements with terms less than one year; and iii) to combine lease and non-lease components and expense variable payments as rent/lease expense in the period incurred.

Adoption of the new standard resulted in recording an operating lease ROU asset and operating lease liability of approximately \$399 on our Condensed Consolidated Balance Sheet as of December 1, 2019. Adoption of the standard did not have an impact on the Company’s beginning accumulated deficit, results from operations or cash flows. For required qualitative and quantitative disclosures related to leasing arrangements beginning in the period of adoption, see Note 12.

Changes to the Company’s accounting policy as a result of adoption are discussed below.

The Company reviews all contracts and determines if the arrangement represents or contains a lease, at inception. Operating leases are included in *Other non-current assets* and *Other current and non-current liabilities* in the Condensed Consolidated Balance Sheets. The Company does not have any finance leases.

Operating lease ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company uses its estimated incremental borrowing rate based on the information available at the lease commencement date in determining the present

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

value of future payments. The operating lease ROU asset also includes any upfront lease payments made and excludes lease incentives and initial direct costs incurred. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less are not recorded on the balance sheet. The Company's lease agreements do not contain any residual value guarantees.

**Recently issued accounting pronouncements**

*Fair Value Disclosure Requirements*

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

**NOTE 3 – SEGMENTED INFORMATION**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. The Chief Executive Officer considers the business as a single segment considering the performance of our investment in the Donlin Gold project in Alaska, USA (Note 5).

**NOTE 4 – NOTES RECEIVABLE**

The Company has notes receivable from Newmont Corp. ("Newmont") including a \$75,000 note receivable upon the earlier of the completion of a new Galore Creek project pre-feasibility study or July 27, 2021, and a \$25,000 note receivable upon the earlier of the completion of a Galore Creek project feasibility study or July 27, 2023. On closing of the Galore Creek sale, the Company estimated the fair value of the \$75,000 and \$25,000 notes receivable at \$88,398, assuming payments in three and five years, respectively, at a discount rate of 3.6% based on quoted market values for Newmont debt with a similar term. The carrying values of the notes receivable are being accreted to \$75,000 and \$25,000 over three and five years, respectively. At August 31, 2020, the carrying value of the notes receivable was \$95,162 including \$6,764 of accumulated accretion. A contingent note for \$75,000 is receivable upon approval of a Galore Creek project construction plan by the owner(s). No value was assigned to the final \$75,000 contingent note receivable. The Company determined that Galore Creek project construction approval was not probable as of the closing of the Galore Creek sale. The Company's assessment did not change as of August 31, 2020.

**NOTE 5 – INVESTMENT IN DONLIN GOLD**

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

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

	Three months ended August 31,		Nine months ended August 31,	
	2020	2019	2020	2019
Balance – beginning of period	\$3,462	\$1,494	\$1,840	\$1,209
Share of losses:				
Mineral property expenditures	(6,111)	(3,125)	(11,319)	(6,629)
Depreciation	(39)	(16)	(99)	(33)
	(6,150)	(3,141)	(11,418)	(6,662)
Funding	6,693	3,840	13,583	7,646
Balance – end of period	\$4,005	\$2,193	\$4,005	\$2,193

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

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

	At August 31, 2020	At November 30, 2019
Current assets: Cash, prepaid expenses and other receivables	\$5,531	\$3,115
Non-current assets: Property and equipment	1,264	462
Non-current assets: Mineral property	32,692	32,692
Current liabilities: Accounts payable and accrued liabilities	(2,645)	(1,737)
Non-current liabilities: Reclamation and lease obligations	(837)	(692)
Net assets	<u>\$36,005</u>	<u>\$33,840</u>

**NOTE 6 – OTHER ASSETS**

	At August 31, 2020	At November 30, 2019
Other current assets:		
Accounts and interest receivable	\$1,005	\$1,100
Prepaid expenses	153	690
	<u>\$1,158</u>	<u>\$1,790</u>
Other long-term assets:		
Marketable equity securities	\$1,637	\$935
Right-of-use assets	648	—
Office equipment	36	42
	<u>\$2,321</u>	<u>\$977</u>

**NOTE 7 – PROMISSORY NOTE**

The Company has a promissory note payable to Barrick of \$108,375, comprised of \$51,576 in principal, and \$56,799 in accrued interest at U.S. prime plus 2%. The promissory note resulted from the agreement that led to the formation of Donlin Gold LLC, where the Company agreed to reimburse Barrick for a portion of their expenditures incurred from April 1, 2006 to November 30, 2007. The promissory note and accrued interest are payable from 85% of the Company's share of revenue from future mine production or from any net proceeds resulting from a reduction of the Company's interest in Donlin Gold LLC. The carrying value of the promissory note approximates fair value.

**NOTE 8 – FAIR VALUE ACCOUNTING**

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

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

The Company's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities was \$1,637 at August 31, 2020 (\$935 at

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

November 30, 2019), calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

**NOTE 9 – GENERAL AND ADMINISTRATIVE EXPENSES**

	Three months ended August 31,		Nine months ended August 31,	
	2020	2019	2020	2019
Salaries and benefits	\$1,483	\$1,562	\$4,722	\$4,724
Share-based compensation (Note 11)	1,783	1,552	5,259	4,625
Office expense	461	526	1,644	1,748
Professional fees	669	193	1,251	783
Corporate communications and regulatory	347	238	964	739
Depreciation	2	4	6	11
	<u>\$4,745</u>	<u>\$4,075</u>	<u>\$13,846</u>	<u>\$12,630</u>

**NOTE 10 – OTHER INCOME (EXPENSE), NET**

	Three months ended August 31,		Nine months ended August 31,	
	2020	2019	2020	2019
Interest income	\$391	\$1,001	\$1,422	\$3,139
Change in fair market value of marketable securities	372	190	662	248
Foreign exchange gain (loss)	(1,745)	(782)	(485)	41
Other income	—	92	—	92
	<u>\$(982)</u>	<u>\$501</u>	<u>\$1,599</u>	<u>\$3,520</u>

**NOTE 11 – SHARE-BASED COMPENSATION**

	Three months ended August 31,		Nine months ended August 31,	
	2020	2019	2020	2019
Stock options	\$1,095	\$928	\$3,196	\$2,765
Performance share unit plan	636	585	1,913	1,738
Deferred share unit plan	52	39	150	122
	<u>\$1,783</u>	<u>\$1,552</u>	<u>\$5,259</u>	<u>\$4,625</u>

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

**Stock options**

A summary of stock options outstanding as of August 31, 2020 and activity during the nine months ended August 31, 2020 are as follows:

	Number of stock options (thousands)	Weighted- average exercise price per share	Weighted- average remaining contractual term (years)	Aggregate intrinsic value
November 30, 2019	12,527	\$3.98		
Granted	1,781	7.27		
Exercised	(2,661)	4.01		
August 31, 2020	<u>11,647</u>	<u>\$4.51</u>	<u>2.33</u>	<u>\$71,012</u>
Vested and exercisable as of August 31, 2020	<u>6,966</u>	<u>\$4.05</u>	<u>1.58</u>	<u>\$45,163</u>

The following table summarizes other stock option-related information:

	Nine months ended August 31,	
	2020	2019
Weighted-average assumptions used to value stock option awards:		
Expected volatility	46.2%	46.9%
Expected term of options (years)	4	4
Expected dividend rate	—	—
Risk-free interest rate	1.5%	2.7%
Expected forfeiture rate	3.1%	3.1%
Weighted-average grant-date fair value	\$2.71	\$1.46
Intrinsic value of options exercised	\$15,198	\$14,872
Cash received from options exercised	\$—	\$—

As of August 31, 2020, the Company had \$3,810 of unrecognized compensation cost related to 4,681,000 non-vested stock options expected to be recognized and vest over a period of approximately 2.25 years.

**Performance share units**

A summary of PSU awards outstanding as of August 31, 2020 and activity during the nine months ended August 31, 2020 is as follows:

	Number of PSU awards (thousands)	Weighted- average grant day fair value per award	Aggregate intrinsic value
November 30, 2019	1,664	\$3.76	
Granted	452	6.92	
Vested	(648)	6.96	
Performance adjustment	216	6.96	
August 31, 2020	<u>1,684</u>	<u>\$4.59</u>	<u>\$23,041</u>

As of August 31, 2020, the Company had \$3,779 of unrecognized compensation cost related to 1,684,000 non-vested PSU awards expected to be recognized and vest over a period of approximately 2.25 years.

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

The following table summarizes other PSU-related information:

	Nine months ended August 31,	
	2020	2019
Performance multiplier on PSUs vested	150%	82%
Common shares issued (thousands)	648	438
Total fair value of common shares issued	\$2,855	\$1,607
Withholding tax paid on PSUs vested	\$1,652	\$1,197

**NOTE 12 – LEASES**

The Company leases office space under non-cancelable operating leases with original lease terms of five years. These leases require monthly lease payments that may be subject to annual increases throughout the lease term. Certain of these leases also include renewal options at the election of the Company to renew or extend the lease for an additional five years. These optional periods have not been considered in the determination of ROU assets or lease liabilities associated with these leases as the Company did not consider it reasonably certain it would exercise the options.

The Company performed evaluations of its contracts and determined each of its identified leases are operating leases. Additionally, short-term leases, which have an initial term of 12 months or less, are not recorded in the Condensed Consolidated Balance Sheets.

Lease expenses are included in *General and administrative expense – Office expense* on the Condensed Consolidated Statements of Loss and include the following components for the nine-month period ended August 31, 2020:

Operating lease cost	\$157
Variable lease cost	82
Short-term lease cost	3
	\$242

On February 1, 2020, the Company recorded a new operating lease obligation of \$380 arising from obtaining ROU assets.

Future minimum lease payments under non-cancellable operating leases as of August 31, 2020, were as follows:

2020 (excluding the nine months ended August 31, 2020)	\$55
2021	231
2022	237
2023	90
2024	91
Thereafter	8
Total future minimum lease payments	712
Less: imputed interest	(56)
Total	\$656

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

Other information regarding leases for the nine-month period ended August 31, 2020 includes the following:

Cash paid for operating leases	\$149
Right-of-use assets obtained in exchange for lease liabilities	\$380
Weighted average remaining lease term (years) – operating leases	3.4
Weighted average discount rate – operating leases	5%

**NOTE 13 – NET CHANGE IN OPERATING ASSETS AND LIABILITIES**

	Nine months ended August 31,	
	2020	2019
Changes in operating assets and liabilities:		
Other assets	\$667	\$603
Accounts payable and accrued liabilities	70	(273)
Accrued payroll and related benefits	(470)	(382)
	<u>\$267</u>	<u>\$(52)</u>

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*In Management’s Discussion and Analysis of Financial Condition and Results of Operations, “NOVAGOLD”, the “Company”, “we,” “us” and “our” refer to NOVAGOLD RESOURCES INC. and its consolidated subsidiaries. The following discussion and analysis of our financial condition and results of operations constitutes management’s review of the factors that affected our financial and operating performance for the three- and nine-month periods ended August 31, 2020 and August 31, 2019. This discussion should be read in conjunction with the condensed consolidated interim financial statements and notes thereto contained elsewhere in this report and our Annual Report on Form 10-K for the year ended November 30, 2019, as well as other information we file with the Securities and Exchange Commission on EDGAR at [www.sec.gov](http://www.sec.gov) and with Canadian Securities Administrators on SEDAR at [www.sedar.com](http://www.sedar.com). References herein to \$ refer to United States dollars and C\$ to Canadian dollars.*

### **Overview**

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

*Our goals for 2020 include:*

- Advance the Donlin Gold project toward a construction/production decision.
- Maintain a healthy balance sheet.
- Sustain an effective corporate social responsibility program.
- Promote a strong safety, sustainability and environmental culture.

### **Third quarter highlights**

#### *COVID-19*

NOVAGOLD’s most important objective is to ensure the health and safety of its employees, partners and contractors. The Company has implemented policies at its offices in Salt Lake City and Vancouver designed to ensure the safety and well-being of all employees and the people associated with them. In that regard, to reduce risk, our employees have been asked to work from home, avoid all non-essential travel, adhere to good hygiene practices, and engage in social distancing.

Drilling activities resumed at Donlin Gold in late May, after temporarily pausing due to the COVID-19 pandemic, and following the announcement by Alaska’s Governor of the safe re-opening process for the State and easing of travel restrictions, and in consultation with employees, contractors and regional villages regarding safety measures. Donlin Gold has implemented a wide-ranging set of policies at its office in Anchorage and at the project site this year designed to prevent the spread of COVID-19, including: testing of all employees and contractors visiting the Donlin Gold project site; utilizing charters to safely deliver employees to and from camp to minimize in-region travel; screening and social distancing measures while at camp; more frequent sanitization practices; and increased communication around hygiene and sanitization practices, as well as identification of symptoms.

Donlin Gold LLC also responded to the COVID-19 pandemic with urgently needed community support, including delivery of food and supplies, alongside its Native Corporation partners Calista Corporation (“Calista”) and The Kuskokwim Corporation (TKC), owners of the project’s subsurface and surface rights respectively.

#### *Donlin Gold project*

NOVAGOLD and Barrick continue to study ways to improve the project’s value and to reduce initial capital outlays through enhanced project design and execution, engagement of third-party operators for certain activities, and potential for future financing of some capital-intensive infrastructure. To date, these additional studies have identified key areas that have the potential to add value and maximize the future opportunity and longevity of the project. In the third quarter, Donlin Gold LLC had four drills at the project site to advance the 2020 drill program in the ACMA and Lewis resource areas. The primary objective of the 2020 drill program, the largest such campaign at Donlin Gold since 2008, is to validate recent geological and resource modeling controls developed by the owners, Barrick and NOVAGOLD. The other objective is to test potential extensions of high-grade zones, most of which would be expected to be mined early in the life of a future mine. The newly obtained data should lead the partners to determine the next steps to update the

Donlin Gold feasibility study and initiate the engineering work necessary to advance the project design before reaching a construction decision. As discussed above, drilling activities resumed at Donlin Gold in late May, after temporarily pausing due to the COVID-19 pandemic, and following the announcement by Alaska's Governor of the safe re-opening process for the State and easing of travel restrictions, and in consultation with employees, contractors and regional villages regarding safety measures. NOVAGOLD and Barrick Gold issued a joint release on August 6, 2020 with an update on the recent drilling at Donlin Gold with significant distinct high-grade intervals intercepted in multiple areas, including good intervals near surface. Donlin Gold LLC completed the drilling in September 2020 with assays anticipated to be received by early 2021. The owners will advance the Donlin Gold project in a safe, efficient, financially disciplined manner with a strong focus on environmental stewardship and social responsibility.

Our share of funding for the Donlin Gold project in the first nine months of 2020 was \$13.6 million for the drill program, administration, permitting and community engagement efforts. Our share of the Donlin Gold 2020 work program and budget totals \$20 million, including \$11 million for the drilling program and \$9 million for administration, permitting and community engagement to continue to advance the project. The continued spread of COVID-19 could impact employee health, workforce productivity, insurance premiums, ability to travel, the availability of industry experts and personnel, restrictions or delays to the drill program and/or the timing to process drill results and other metallurgical testing, and other factors that will depend on future developments beyond our control.

Donlin Gold LLC continues to support the State of Alaska to advance other permits and certificates needed for the project. The Alaska Department of Natural Resources' (ADNR) issuance of the Alaska Dam Safety certificates for the tailings storage facility and water retention and diversion structures requires a thorough multi-year stepwise process to deliver a final construction package to ADNR. The program necessary for the certificates, including geotechnical core drilling, test pits, overburden drilling, packer tests, hydrogeologic test well installation and pumping tests, and geophysical surveys, commenced in 2019. The field work has been temporarily paused pending the prioritization of the 2020 drill program.

ADNR's Division of Mining, Land, and Water (DMLW) issued the easement land leases, land use permits, and material site authorizations for the proposed transportation facilities including the access road, airstrip, and upriver Jungjuk port, as well as the easement for the fiber optic cable on State lands on January 2, 2020. ADNR's Division of Oil and Gas (DOG), issued the final State Right-of-Way (ROW) lease for the buried natural gas pipeline on January 17, 2020. On February 6, 2020, Cook Inletkeeper, on behalf of the Orutsararmiut Native Council (ONC), Susitna River Coalition, Kasigluk Traditional Council, and Tununak IRA Council, requested that the Commissioner of ADNR reconsider the decision to issue the ROW lease for the pipeline. The ADNR Commissioner denied the request for reconsideration on February 18, 2020. On March 19, 2020, Earthjustice, representing ONC, Chevak Native Village, Chuloonawick Native Village, Native Village of Eek, and Cook Inletkeeper, filed an appeal of the denial of the ROW lease issuance reconsideration request in the Superior Court of the State of Alaska at Anchorage (the "Alaska Superior Court"). On April 30, 2020, ADNR reversed itself and agreed to reconsider the decision to issue the ROW lease in accordance with the February 6, 2020 request made by Cook Inletkeeper. The reconsideration is specifically addressing additional analysis of cumulative effects. In response, the appeal filed in the Alaska Superior Court was dismissed without prejudice on May 20, 2020. ADNR reissued additional information on the pipeline, including an updated cumulative effects analysis, for public comment on September 10, 2020. Donlin Gold LLC supported the State's decision to complete this work and we expect that the final ROW lease authorization offer will be reissued in early 2021 by ADNR.

In 2018, Earthjustice, on behalf of ONC, Akiak Native Community IRA Council, Organized Village of Kwethluk, Native Village of Kwigillingok, Chuloonawick Tribal Council, and the Yukon-Kuskokwim River Alliance, requested an informal review of the State of Alaska's 401 certification (the "Certification") by the Director of the Division of Water in the Alaska Department of Environmental Conservation (ADEC). In October 2018, the Director responded to the request by deciding to conduct the informal review and reissued the Certification on April 4, 2019. On April 24, 2019, Earthjustice requested a second informal review of the Certification and the request was granted by ADEC on May 4, 2019. On May 8, 2020, after a long and detailed technical and legal analysis including input from Donlin Gold, the Director issued his decision to uphold the April 2019 reissued Certification. On June 5, 2020, Earthjustice filed a formal appeal to the ADEC Commissioner; the appeal is in the form of a request for an Adjudicatory Hearing. The appeal specifically relates to compliance with the State's water quality standards in Crooked Creek near the proposed mine site. On June 15, 2020, the ADEC Commissioner conditionally granted the request for the hearing. After completion of the hearing process, the ADEC Commissioner is expected to issue a decision on the appeal in late 2020 or early 2021.

Donlin Gold LLC, with support from the project owners (NOVAGOLD and Barrick) is committed to growing strong and collaborative working relationships to preserve traditional lifestyles and support economic development for the benefit of Calista, TKC and the Yukon-Kuskokwim (Y-K) region. Donlin Gold LLC and our Native Corporation partners remain actively engaged in environmental sustainability projects and extensive outreach efforts with local stakeholders through multiple traditional village council meetings, regional tribal gatherings, events and village visits across the Y-K region. Involving the local communities in all aspects of

the project is core to both Barrick's and NOVAGOLD's philosophy as illustrated by the fact that approximately 80% of Donlin Gold direct hires are Alaska Natives.

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

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

## Outlook

We do not currently generate operating cash flows. At August 31, 2020, we had cash and cash equivalents of \$45.3 million and term deposits of \$81.0 million. At present, we believe that these balances are sufficient to cover anticipated funding of the Donlin Gold project and NOVAGOLD's general and administrative costs. Additional capital will be necessary if a decision to commence engineering and construction is reached for the Donlin Gold project. Future financings to fund construction are anticipated through debt, equity, project specific debt, and/or other means. Our continued operations are dependent on our ability to obtain additional financing or to generate future cash flows. However, there can be no assurance that we will be successful in our efforts to raise additional capital on terms favorable to us, or at all. For further information, see the risk factors in our Annual Report on Form 10-K for the year ended November 30, 2019, as filed with the SEC and the Canadian Securities Regulators on January 22, 2020, and Part II, Item 1A of this Form 10-Q.

For 2020, we continue to expect to spend approximately \$31 million, including \$20 million to fund our share of expenditures at the Donlin Gold project and \$11 million for general and administrative costs. The continued spread of COVID-19 could materially and adversely impact the Company's business including without limitation, employee health, workforce productivity, insurance premiums, ability to travel, the availability of industry experts and personnel, restrictions or delays to the Donlin Gold drill program and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Company's control.

## Summary of Consolidated Financial Performance

(\$ thousands, except per share)	Three months ended August 31,		Nine months ended August 31,	
	2020	2019	2020	2019
General and administrative	\$ (4,745)	\$ (4,075)	\$ (13,846)	\$ (12,630)
Equity loss - Donlin Gold	(6,150)	(3,141)	(11,418)	(6,662)
Loss from operations	<u>\$ (10,895)</u>	<u>\$ (7,216)</u>	<u>\$ (25,264)</u>	<u>\$ (19,292)</u>
Net loss	<u>\$ (12,736)</u>	<u>\$ (8,056)</u>	<u>\$ (26,564)</u>	<u>\$ (19,894)</u>
Net loss per common share – basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>

## Results of Operations

### Third quarter 2020 compared to 2019

*Loss from operations* increased from \$7.2 million in 2019 to \$10.9 million in 2020 due to higher general and administrative expense and higher costs at Donlin Gold LLC. *General and administrative expense* increased from \$4.1 million in 2019 to \$4.7 million in 2020 primarily due to higher legal and share-based compensation costs. *Equity loss – Donlin Gold* increased from \$3.1 million in 2019 to \$6.2 million in 2020 due to the 2020 drilling program.

*Net loss* increased from \$8.0 million (\$0.02 per share) in 2019 to \$12.7 million (\$0.04 per share) in 2020, primarily due to higher operating losses, foreign exchange movements and lower interest income, partially offset by lower interest expense on the

promissory note payable to Barrick.

*First nine months 2020 compared to 2019*

*Loss from operations* increased from \$19.3 million in 2019 to \$25.3 million in 2020 due to higher general and administrative expense and higher costs at Donlin Gold LLC. General and administrative expense increased by \$1.2 million primarily due to higher share-based compensation, legal and regulatory costs. Our share of Donlin Gold LLC expenses increased by \$4.8 million due to the 2020 drilling program.

*Net loss* increased from \$19.9 million (\$0.06 per share) in 2019 to \$26.6 million (\$0.08 per share) in 2020, primarily due to higher operating losses, lower interest income and foreign exchange movements, partially offset by lower interest expense on the promissory note payable to Barrick.

**Liquidity, Capital Resources and Capital Requirements**

(\$ thousands)	At August 31, 2020	At November 30, 2019	Change
Cash and cash equivalents	\$45,348	\$67,549	\$(22,201)
Term deposits	\$81,000	\$81,000	\$—

In the first nine months of 2020, total *Cash, cash equivalents* and *Term deposits* decreased by \$22.2 million of which \$7.1 million was used in operating activities for administrative costs and working capital changes, \$13.6 million was used to fund Donlin Gold and \$1.7 million related to withholding taxes paid on vested performance share units (PSUs). Effects of exchange rate changes also increased cash by \$0.2 million. The term deposits are denominated in U.S. dollars and are held at Canadian chartered banks.

(\$ thousands)	Three months ended August 31,		Nine months ended August 31,	
	2020	2019	2020	2019
Net cash (used in) provided from:				
Operating activities	\$(1,826)	\$(373)	\$(7,157)	\$(5,284)
Investing activities	\$(6,693)	\$36,160	\$(13,583)	\$39,354
Financing activities	\$—	\$—	\$(1,652)	\$(1,197)

*Third quarter 2020 compared to 2019*

*Net cash used in operating activities* increased by \$1.5 million, due to lower interest income and higher general and administrative expense, partially offset by changes in working capital. *Net cash provided from (used in) investing activities* included a \$2.9 million increase in Donlin Gold funding due to the 2020 drilling program. For the three-month period in 2019, term deposits decreased by \$40.0 million, with the proceeds deposited in interest-bearing savings accounts.

*First nine months 2020 compared to 2019*

*Net cash used in operating activities* increased by \$1.9 million, primarily due to lower interest income and higher general and administrative expense, partially offset by changes in working capital. *Net cash provided from (used in) investing activities* included a \$5.9 million increase in Donlin Gold funding due to the 2020 drilling program. For the nine-month period in 2019, term deposits decreased by \$47.0 million, with the proceeds deposited in interest-bearing savings accounts. *Net cash used in financing activities* relates to withholding taxes paid on vested performance share units.

**Outstanding share data**

As of September 23, 2020, the Company had 329,912,479 common shares issued and outstanding. Also, as of September 23, 2020, the Company had: i) a total of 11,157,163 stock options outstanding; 2,381,898 of those stock options with a weighted-average exercise price of C\$5.62 and the remaining 8,775,265 with a weighted-average exercise price of \$4.60; and ii) 1,684,000 PSUs and 280,363 deferred share units outstanding. Upon exercise or pay out, as applicable, of the foregoing convertible securities, the Company would be required to issue a maximum of 13,963,526 common shares.

## Accounting Developments

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

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

#### *Credit risk*

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

#### *Interest rate risk*

The interest rate on the promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as at August 31, 2020, and assuming all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of approximately \$1.1 million in the interest accrued on the promissory note per annum.

### Item 4. Controls and Procedures

Management, with the participation of our President and Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of August 31, 2020. On the basis of this review, our President and Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

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

On June 29, 2020, the Company filed a lawsuit against J Capital Research USA LLC (“J Capital”) in the U.S. District Court for the Eastern District of New York. In its Complaint, the Company alleges J Capital made defamatory and libelous statements about the Company, its assets and management in a report issued by J Capital on May 28, 2020. The Company is seeking unspecified damages from J Capital. We do not believe this litigation is material to the Company.

### **Item 1A. Risk Factors**

There have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended November 30, 2019, as filed with the SEC on January 22, 2020 and in our Quarterly Report on Form 10-Q for the quarter ended May 31, 2020, as filed with the SEC on June 24, 2020. The risk factors in our Annual Report on Form 10-K for the year ended November 30, 2019 and in our Quarterly Report on Form 10-Q for the quarter ended May 31, 2020, could materially affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or that we deem to be immaterial could also materially adversely affect our business, financial condition or results of operations.

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

None.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

These disclosures are not applicable to us.

### **Item 5. Other Information.**

None.

### **Item 6. Exhibits**

See Exhibit Index.

## SIGNATURES

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

Date: September 30, 2020

**NOVAGOLD RESOURCES INC.**

By: /s/ Gregory A. Lang

Gregory A. Lang

President and Chief Executive Officer

(principal executive officer)

By: /s/ David A. Ottewell

David A. Ottewell

Vice President and Chief Financial Officer

(principal financial and accounting officer)

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a)
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a)
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350
101	The following materials are filed herewith: (i) Inline XBRL Instance, (ii) Inline XBRL Taxonomy Extension Schema, (iii) Inline XBRL Taxonomy Extension Calculation, (iv) XBRL Taxonomy Extension Labels, (v) XBRL Taxonomy Extension Presentation, and (vi) Inline XBRL Taxonomy Extension Definition.
104	Cover Page Interactive Data File – The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.