



NOVAGOLD Resources Inc.

Second Quarter 2023 Financial Results

Conference Call and Webcast Transcript

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Speakers: **Mélanie Hennessey**
Vice President, Corporate Communications

Greg Lang
President and Chief Executive Officer

David Ottewell
Vice President and Chief Financial Officer

Operator:

Welcome to the NovaGold 2023 Second Quarter Financial Results Conference Call and Webcast.

As a reminder, all participants are in listen-only mode and the conference is being recorded.

(Operator Instructions)

I would now like to turn the conference over to Mélanie Hennessey, Vice President, Corporate Communications. Please go ahead.

Mélanie Hennessey:

Thank you, Sia. Good morning, everyone. We are pleased that you've joined us for NovaGold's Second Quarter Financial Results, and for an update on the Donlin Gold project.

On today's call, we have Greg Lang, NovaGold's President and CEO, and David Ottewell, NovaGold's Vice President and CFO. At the end of the webcast, we will take questions by phone. Additionally, we will respond to questions by email.

I would like to remind you, as stated on Slide 3, any statements made today may contain forward-looking information, such as projections and goals, which are likely to involve risks detailed in our various EDGAR and SEDAR filings and forward-looking disclaimers included in this presentation.

I now have the pleasure of turning the presentation over to our President and CEO, Greg Lang. Greg?

Greg Lang:

Thank you, Mélanie.

Before we go into the second quarter results, I wanted to start today's call by giving you a quick look at the reasons why we and our shareholders are invested in the Company.

Over time, and by keeping our promises to stakeholders, our Management team has diligently protected our resources, both the mineral endowment and our Treasury. We've substantially de-risked Donlin Gold. With a commitment to responsible mining, we have dedicated both time and effort to

build trust and transparency, and continuously found ways to improve and enhance the project while building a legacy. It is our belief that Donlin Gold is among the rarest of gold development assets, a Tier 1 asset in a Tier 1 jurisdiction.

To touch on Donlin's attributes, as currently envisioned, with approximately 39 million ounces, it hosts one of the largest and highest-grade undeveloped gold endowments in the world that would average over a million ounces per year of gold production for 27 years. While looking at the other gold development projects in the Americas, as shown on Slide 6, it's by far the largest, and with gold production continuing to decline, it's clear that the industry needs projects with scale, grade, and longevity to ride out multiple gold cycles.

With a grade of more than twice the industry average for an open pit project, at 2.25 grams, as shown on Slide 7, this advantage is expected to put Donlin Gold as one of the lowest-cost producers in the space. This in turn enables Donlin Gold to potentially become one of the lowest gold producers.

Excellent exploration potential exists beyond the defined resources located in the ACMA and Lewis deposits, as shown on the diagram. This area occupies only three kilometres of an eight-kilometre mineralized belt and represents less than 5% of the total land package. As highlighted on Slide 8, incredible upside exists to potentially increase ounces and extend the mine life, given that the majority of the land is not yet thoroughly explored.

As the premier gold development project in Alaska, itself the second-largest gold-producing state, in one of the world's safest jurisdictions, our project benefits from a well-established tradition of responsible mining. On the map included on Slide 9, we feature the top three gold-producing operations in the world, and the six largest gold development projects.

Turning to Slide 10, Donlin offers unique leverage to gold in a place where one can keep the fruits of that leverage. The after-tax NPV, at \$1,700 per ounce and a 5% discount rate, was estimated at almost \$5 billion, raising substantially if undiscounted, and then another 50% increase at \$2,000 per ounce. Clearly, we have tremendous leverage to rising gold prices.

As private landowners, both Calista and TKC are dedicated to developing Donlin Gold in a way that remains consistent with the Elders' vision of responsible development while creating jobs and

economic benefits for the surrounding communities, as well as protecting the local culture. A few quotes are provided from the leaders of both Alaska native corporations on Slide 11. Calista and TKC's balance and guidance have been critical over the years of permitting, sustainability, and community engagement initiatives. We immensely appreciate their meaningful input regarding their land and the significant economic needs required to sustain healthy living for their communities.

Our partners' continued and time-tested collaboration, project support, and full engagement are extremely valuable in ensuring responsible and sustainable economic development throughout all phases of the Donlin project. With the combination of these attributes, Donlin Gold has the potential to form a cornerstone of genuine and sustainable economic development in the Y-K region for many decades to come.

I will now touch on some of the milestones that were achieved in the second quarter and the ongoing activities at Donlin Gold.

Turning to Slide 13, activities advanced in five key areas during the second quarter. First, we updated the geologic and resource models with the data from the drilling we've done over the last few years.

Secondly, we have reviewed all key project assumptions, inputs, and designed components for optimization: including engineering, metallurgy, hydrology, and infrastructure.

Thirdly, we advanced the fieldwork and geotechnical drilling to collect the data for the Alaska dam safety certificates required for construction, and hydrologic drilling to define the depth and flow of groundwater in areas with a planned open pit.

Fourth, on the project's permits, we maintained existing federal and state permits in good standing, provided support to the agencies in the defence of these permits, and to-date, all appeals have been unsuccessful, offered on multiple occasions, and we have full confidence in the process. But we never take this for granted. Our project leadership and litigation teams have always prepared and organized themselves for potential challenges that inevitably come.

Fifth, we have built long-term value through ongoing engagement with our partners and stakeholders, while expanding project support. For example, visits were made to Washington, DC for some

bipartisan outreach to the Biden Administration and U.S. Congress. In early May, traditional tribal council from Crooked Creek accompanied Calista and Donlin on a visit with the Administration and Congressional staff to highlight the thoroughness of the project and the partnerships that exist with Native Alaskans that own the land.

The successful execution of these activities would not have been possible without a dedicated team in Anchorage and a committed workforce at our camp, of which 63% are local hires. They have safely advanced site work and maintained open and transparent communications with all stakeholders. Thanks to their hard work, the 2023 field program at Donlin Gold is anticipated to be completed in July. The comprehensive work will provide valuable information to the Donlin Gold Board and its owners to consider with respect to an updated feasibility study decision.

For NovaGold, community and social responsibility represents a wide-ranging essential activity that is core to all we do at Donlin and in the communities of the region. It has been our consistent practicing philosophy for over 20 years. Donlin continues to work with Calista and TKC in all aspects of outreach and engagement, in the areas of education, health and safety, cultural traditions, environmental initiatives, and we are committed to meaningful tribal inclusion throughout all project stages. These in-region investments and partnerships continue to expand, which further demonstrate the commitment to advancing this exceptional project up the value chain.

As shown on Slide 14, numerous activities and initiatives were funded in the second quarter. For example, Donlin was recognized for their support to the village of Crooked Creek following a major flood in the spring. The Donlin staff were on site to provide support, supplies, and transportation to those affected. In addition, the project's team has partnered with Covenant House in Alaska and the Bethel community for services to address chronic youth shelter and food security issues in the Y-K region.

Education is a key component of Donlin Gold's community engagement efforts, where Calista shareholders and descendent scholarships were funded through the Calista Education and Culture Initiative.

In the second quarter, Donlin signed additional fair value statements with two villages in the region, bringing the total to 14. These documents formalize the current engagement with the local

communities and expand upon the long-term relationships already established with them, and address specific community needs.

Lastly, Donlin Gold held the first informal Subsistence Communications Advisory Committee meeting in Aniak, all members who completed an application to join the Committee, having various perspectives on the project. As part of the commitment between Donlin Gold, Calista, and TKC, the Committee was established to maintain a well-defined process for communications, dialogue, problem solving, and seeking the input of the broader community regarding subsistence matters.

In May, we launched our 2022 Sustainability Report, NovaGold's third annual standalone Sustainability Report which features a comprehensive review of the Company's performance in areas of environmental stewardship, health, safety, and social community engagements, and corporate governance. During 2022, our achievements, pictured on the right of Slide 15, included an excellent health and safety record with zero lost time accidents, spanning over 10 years, the project site workforce, comprised of more than 80% Alaska Native employees, and an increase in engagements and investment throughout the region.

Formal corporate climate change and biodiversity policies were developed in 2022. Throughout 2023, we will continue to monitor, reflect on, and refine our environmental, social, and governance performance, including maintaining strong records of environmental and health and safety data at the Donlin Gold project site, partnering with the people and communities of the region, and working to enhance our governance practices, including the implementation of our updated human rights and new diversity, equity, and inclusion policies.

With that, I will now turn the call over to David Ottewell to review the 2023 second quarter financial results. Dave?

David Ottewell:

Thank you, Greg.

Slide 17 highlights our operating performance. We reported a net loss of \$14.6 million in the second quarter, a slight decrease from the prior-year quarter due to lower field expenses at Donlin Gold and

increased interest income on cash and term deposits, offset by increased interest expense on the promissory note and higher corporate travel and legal expenses.

Second quarter cash flows are highlighted on Slide 18. Cash and cash equivalents decreased by \$7.2 million, primarily to fund our share of Donlin Gold and for corporate administrative expenses. The decrease in cash used in the second quarter of 2023 compared to 2022 was due to a reduction in Donlin Gold's funding and higher interest received on cash and term deposits due to the increase in interest rates.

On Slide 19, we note our Treasury position, which includes cash and cash equivalents of \$47 million, term deposits of \$62 million, and \$25 million due from Newmont next month. For the full year, we continue to expect to spend \$31 million, including \$17 million at Donlin, \$13 million for corporate G&A, and \$1 million for working capital.

I will now turn the presentation back to Greg. Greg?

Greg Lang:

Thank you, Dave.

As shown on Slide 20, activities this year are focused on updating the geologic and resource models, fieldwork to collect geotechnical and hydrologic information to complete the design requirements for the Alaska Dam safety certificates, an ongoing review of key project assumptions and inputs for optimization and engineering, metallurgy, and hydrology. We continue to advance our permits through the regulatory processes and support the agencies in defending the existing permits. We will also continue to engage, maintain, and grow support for our project in the Y-K region and with government entities.

Ultimately, the comprehensive work being completed will provide valuable information for the Donlin Gold Board and its owners to consider with respect to an updated feasibility study decision.

I wish to thank each and every one of our shareholders for choosing to invest with NovaGold, as well as for their engagement, patience, and valuable insight over the years. We look forward to continuing

to deliver on our promises, and to keeping an open line of communications between us while we strive to reach further milestones together in 2023.

With that, Operator, we will open the lines for questions.

Operator:

Thank you.

(Operator Instructions)

The first question comes from Lucas Pipes with B. Riley Securities. Please go ahead.

Nick Giles:

Thank you, Operator.

Good morning, everyone. This is Nick Giles asking a question on behalf of Lucas. Of the components you outlined for optimization, what areas would you say you've seen the most improvement, or maybe expect to see the most improvement? Thank you so much for your perspective.

Greg Lang:

All right. The optimization has really touched on every discipline throughout the project, whether it be mining engineering or metallurgy. I think we've seen a lot of very constructive fine-tuning on the metallurgical side. This is no step changes, but optimizing the grind size, controlling the pH to get a few percent additional recovery. I think the optimizations have all added value to the project, as well as particularly for our partner, increased the depth of their understanding of the project and the work that has been done to-date.

Nick Giles:

Okay, thank you, Greg. I appreciate that colour.

Just one more on my end; in the fiscal responsibility act of 2023, I believe there were some favourable permitting reforms. I was hoping to maybe get your view on these, and if they may benefit Donlin in any way, despite having federal permitting completed. Thank you very much.

Greg Lang:

All right. Well, that's a very astute observation. There have been, I would say, positive developments on trying to streamline the permitting process for not just mining projects, but any natural resource projects in the U.S. It's good to see those initiatives.

As far as the impact on Donlin, I would describe it as pretty minor or insignificant. That's largely because our permits are already in place, so there's nothing to be streamlined from our point of view now that we've gotten—our federal permits have been in-hand for several years. We're continuing to advance the remaining state permit, which is the tailings dam and dam safety certificate. Minimal impact on us, at this stage.

Nick Giles:

Makes sense. Greg, thank you so much for the colour, and to you and the team, continued best of luck.

Greg Lang:

Thank you.

Mélanie Hennessey:

We have a question that was submitted by email, from David White, who is a long-time shareholder and thanks you for the review of the second quarter results. He wanted to know, why do you think Barrick will deviate from its 15% IRR at \$1,300 gold price mandate to develop Donlin, given that it won't meet the criteria with the updated FS?

Greg Lang:

Well, thank you for the question.

Clearly, I don't speak for Barrick on their economic criteria regarding gold price, but I do know as we looked at investments for generational assets such as Donlin, the IRR is only one aspect that both owners would consider when we get to that stage where we're in a position to make an investment decision. I think that's a ways out for us; the immediate issues in front of the owners are wrapping up

all of the trade-off studies and making a decision on when is the appropriate time to advance a new feasibility study.

Mélanie Hennessey:

That's all the questions, Operator.

Operator:

Thank you. I would like to turn the conference...

Greg Lang:

Thank you for your time.

Operator:

Sorry, Greg. Go ahead.

Greg Lang:

Okay. Everybody, thank you for joining our call this morning and getting an update on NovaGold. Take care.

Operator:

Thank you. This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.