



NOVAGOLD Resources Inc.

Third Quarter 2023 Financial Results

Conference Call and Webcast Transcript

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Speakers: **Melanie Hennessey**
Vice President Corporate Communications

Gregory Lang
President and Chief Executive Officer

David Ottewell
Vice President and Chief Financial Officer

Operator:

Welcome to the NOVAGOLD 2023 Third Quarter Financial Results Conference Call and Webcast.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star than one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero. Webcast viewers may submit questions through the text box in the lower right corner of the webcast frame.

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

Melanie Hennessey:

Thank you, and good morning, everyone. We are pleased that you have joined us for NOVAGOLD's 2023 third quarter financial results, and also 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 received by email.

I would like to remind our listeners, 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?

Gregory Lang:

Thank you, Melanie.

Before we begin, I would like to note that Dr. Thomas Kaplan, our Chairman and largest Shareholder, sends his regrets for not being able to be on the call this morning as he is in transit back to the U.S. after several weeks abroad.

Ahead of going into our third quarter activities, I'd like to begin today's call by providing a brief overview on Slide 5 on why both us and our Shareholders view Donlin Gold as a Tier 1 asset. With approximately 39 million ounces of gold, at an impressive grade of 2.25 grams, more than twice the industry average, and a projected

mine life of almost 30 years, Donlin Gold has the potential to become a significant and cost-effective producer. In addition, excellent exploration potential exists beyond the known resource area, which covers less than 5% of our extensive land holdings. Importantly, the project is situated on private land designated for mining in Alaska, a world-leading jurisdiction known for responsible mining practices and enduring partnerships with Calista and TKC that position the project favorably on a path toward development.

It is important to put into context, the Company's accomplishments since the reorganization over 10 years ago, especially for those who are new Investors and less familiar with NOVAGOLD. We have been focused on executing a strategy that was set in motion by our Chairman and me in 2012, namely, to unlock the value of NOVAGOLD's high-quality assets for our Shareholders and dedicate all of our energy toward creating a maximum leveraged pure gold play, on unique endowment that is the Donlin project as shown on Slide 6.

Looking at Slide 7, Alaska offers an excellent environment for mining, and is in one of the world's safest jurisdictions. It ranks the second largest gold producer in the United States with a well-defined permitting process. Numerous companies have achieved success here and the government is very supportive and recognizes the importance of responsible natural resource development.

During the year, our environmental, social and governance achievements, pictured on Slide 8, included an excellent health and safety record with zero lost time incidents, again over 10 years since, of this clean record, a project site workforce composed primarily of Alaska native employees and an increasing community engagements and investments throughout the region.

From governance standpoint, our Board exhibits a well-balanced composition with strong representation of minorities and women. At NOVAGOLD nearly half of our employees are women, highlighting our dedication to diversity and inclusion. Throughout the remainder of the year, we will continue to monitor, reflect, and refine our environmental, social and governance performance, including maintaining strong records of health and safety at the project site, expanding our investments and partnership with the local communities, and working to enhance our governance practices, including the implementation of our human rights and new diversity, equity, and inclusion policies.

As currently envisioned, with approximately 39 million ounces, Donlin Gold hosts one of the largest and highest grade undeveloped open pit endowments in the world, which would average over 1 million ounces per year for 27 years. When looking at the group of gold development projects in North and South America, as shown on Slide 9, is by far the largest. With global gold production continuing to decrease, it is clear that the industry needs projects of scale, grade, and longevity to ride out multiple gold price cycles.

With a grade of more than twice the industry average for an open pit, at 2.25 grams as shown on Slide 10, this advantage is expected to put Donlin as one of the lowest cost gold producers in the industry. Excellent exploration potential exists beyond the defined resources located in the ACMA and Lewis areas on the diagram shown here, which occupies only three kilometers of an eight kilometer mineralized belt.

As highlighted on Slide 11, incredible upside exists to potentially increase ounces and extend the mine life, given the majority of the land is not thoroughly explored.

Turning to Slide 12. Donlin offers unique leverage to gold in a place where you can keep the fruits of that leverage. As you see on the bar chart, it offers exceptional value and a wide range of gold prices. In the upper right corner, we added a quote from the McClellan report on the coming gold market and how high gold prices would go. We thought that might be of interest and is relevant given recent industry trading activities.

As private landowners, both TKC and Calista 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 13. Calista and TKC's knowledge and guidance has been critical over the years throughout the permitting, sustainability, and community engagement initiatives.

We immensely appreciate their meaningful input regarding the 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 economic development throughout all phases of the Donlin project. With the combination of these attributes, Donlin Gold has the potential to form the cornerstone of genuine and sustainable economic development in the Y-K region for many decades to come.

I will now touch on the milestones that were achieved in the third quarter and the ongoing activities at the Donlin project. Turning to Slide 15, this year's field program was safely completed as scheduled in July with the majority of our local hires coming from the Y-K region. The program included comprehensive fieldwork and geotechnical drilling required for the Alaska Dam Safety certificates. This involved data collection at the locations earmarked for water retention structures, including the proposed tailings storage. The fieldwork included over 1,800 meters of drilling, 74 water retention structure test pits, and over 25 kilometers of seismic survey.

Additional fieldwork included defining the groundwater at site, with hydrologic drilling that provided essential information for mine planning and design. At the historic Lyman placer site, restoration work encompassed a significant stream and pond habitat creation. Final work, including anticipated aquatic life access and use, is

planned for next year's field season. Furthermore, the owners were doing work to validate the updated geologic and resource model. It is also being used for various mine planning scenarios. With support from the owners and third-party consultants, Donlin also completed trade-off studies and extensive analysis on project assumptions, inputs, and design components, such as optimizing the engineering, metallurgy, hydrology, and power infrastructure.

The recently completed comprehensive work provided valuable information for the Donlin Gold LLC Board and the owners, which was discussed further at the recent workshop in Alaska and are helping us define the next steps in the continued advancement of the Donlin Gold project.

On Slide 16, we highlight our third quarter community activities at Donlin Gold. In June, Donlin Gold added another community liaison representative for the local village of Nunapitchuk, thereby increasing the total team members to six. These collaborative efforts, reinforced by the establishment of 14 shared value statements with key villages in the Y-K region. These statements formalized Donlin Gold's consistent engagement with the local communities, build long-term relationships and address specific community needs.

We also conducted another successful In It for The Long Haul backhaul program for the sixth year in a row. This project is dedicated to the collection and removal and safe disposal of hazardous materials and electronic waste from villages in the region, preventing adverse impacts on landfills and waterways. This year's program achieved significant milestones, including the removal of waste from fish camps in the middle Kuskokwim River. In addition, Donlin Gold employees from three villages played a key part in initiating waste backhaul operations along the Yukon River.

Donlin Gold also supported the EXCEL Alaska program in June, which is a non-profit organization providing supplemental academic, career and technical education initiatives for rural youth and young adults throughout the region. Students received high school credit toward graduation and concurrent college credits.

Donlin Gold is a federally permitted project on Private Alaska Native Corporation land, designated by law for mining activities as part of the 1971 Alaska Native Claims Settlement Act. This is a differentiating factor from many other mining projects in Alaska. Permitting in the United States and Alaska represents a significant and rigorous endeavor where success hinges on years of dedicated effort, ensuring a diligent, thorough, and transparent all-inclusive process.

Slide 17, lists all the federal and state permits and certificates received to-date. We received our federal permits from the U.S. Army Corps of Engineers and the BLM in 2018, followed by numerous state permits listed on the attached slide. Donlin Gold, its owners and partners, Calista and TKC possess an intimate understanding of the

project's permitting and regulatory procedures and remain committed to supporting the federal and state agencies in defending these permits.

As shown on Slide 18, several positive updates occurred in the third quarter. The new air quality permit was issued in July and was not appealed. Donlin Gold had applied for new air quality permit in 2022 based on updated modeling and emissions control information. In April and July, the Alaska Superior Court upheld the Alaska Department of Natural Resources Issuance of the Right-Of-Way lease, and in the Earth Justice cases, respectively, under appeal and the briefing process is underway. The regularly scheduled reissuance of the Alaska Pollutant Discharge Elimination System permit is underway and was extended indefinitely through reissuance, which is expected to occur next year.

On September 1, the Alaska Superior Court affirmed the decision on Alaska Gold's water rights after completing the briefing process and holding oral arguments linked to the appeal filed by Earth Justice. Also, during the third quarter, the Environmental Commissioner upheld the Clean Water Act Section 401 certification of the U.S. Army Corps of Engineers permit. Despite multiple challenges, all appeals against Donlin Gold permits have been unsuccessful to-date, underscoring our ongoing confidence in the process. We recognize the importance of preparedness and organization in these matters. With our unwavering support of Donlin Gold and its owners, we will continue to back the agencies in defending their thorough and diligent permitting process.

With that, I will now turn the call over to David Ottewell, our Chief Financial Officer, to review the third quarter financial results. Dave?

David Ottewell:

Okay. Thank you, Greg.

Slide 20 highlights our operating performance. We reported a net loss of \$11.1 million in the third quarter, a \$5 million decrease from the prior year quarter primarily due to lower field expenses at Donlin Gold, with fieldwork and geotechnical drilling for the Alaska DAM Safety certificate applications and hydrological drilling to support mine planning and design completed in July this year. During the prior year quarter, the large exploration drilling program was progressing towards completion.

Increased interest expense on the promissory note was offset by increased interest income on cash and term deposits. Third quarter cash flows are highlighted on Slide 21. Cash and term deposits increased by \$21.1 million, with \$25 million received from Newmont, \$3 million used for G&A and \$2.5 million to fund our share of Donlin Gold. The decrease in cash used in the third quarter of 2023 compared to 2022 was due to a reduction in

the required Donlin Gold funding and increased interest received on cash and term deposits due to higher interest rates.

On Slide 22, for the full fiscal year 2023, we expect to spend approximately \$13 million on G&A costs, \$18 million to fund Donlin Gold, and \$1 million on remediation costs at the former New Gold House property near Nome, Alaska. Our forecast funding of Donlin Gold through November 30 is \$1 million higher than originally planned due to additional mining studies.

Back to you, Greg.

Gregory Lang:

Thank you, Dave.

Donlin Gold, with support from the owners and various third-party consultants, completed numerous trade-off studies and extensive analysis on all project assumptions, inputs and design components, such as mine engineering, metallurgy, hydrology, power, and infrastructure. This recently completed work provided valuable information for the Donlin Gold Board and its owners. These were discussed in depth at the most recent joint workshop we held in Alaska with Barrick and are helping to define the next steps in the advancement of the Donlin Gold project and a work plan for the coming years. We look forward to providing an update in the next month.

There are many different conflicting economic winds that are causing turbulence which I believe ultimately will be very positive for gold. We're seeing right now gold test the \$1,800 support level. After this test is done, I think we can expect a sharp move upwards in the not-too-distant future.

The chart on Slide 24 provides a history of gold cycles from 1970 onward. The cycle we find ourselves in currently has several distinguishing factors that were not seen in past cycles, such as central banks' accumulating gold at unprecedented rates, government debt and historical highs, lack of new discoveries and rising globalization trends just to name a few of the things which are predicted to have a positive impact on gold. Escalating demand and supply limitations underscore the value of mining equities with top-tier preproduction assets.

Donlin Gold's steadfast commitment to advancing this extraordinary project carefully up the value chain is reflected in our increased investments in extensive and expanded partnerships. The work done on the project has added considerable value in a responsible manner for all stakeholders, including Alaska residents and

NOVAGOLD Shareholders. Donlin holds status as a true Tier 1 asset in a world-leading jurisdiction and it is anticipated to provide exceptional gold leverage and economic benefits for all stakeholders.

As one of the top development gold projects in the world, Donlin Gold, when built, is expected to serve as a cornerstone for economic, sustainable growth in the region for many years to come. I wish to thank all of our dedicated Shareholders for choosing to invest in NOVAGOLD, as well as their engagement, patience, and valuable insight over the years. We also look forward to providing updates and developments on Donlin Gold.

With that, Operator, we will now open the line for questions.

Operator:

Thank you. We will now begin the question-and-answer session. To join the question queue you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two.

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

Nick Giles:

Thank you. Good morning, everyone. This is Nick Giles asking a question on behalf of Lucas. Congratulations on the recent progress.

Greg, last quarter, you touched on the fine-tuning on the metallurgical side as part of the comprehensive work. With the trade-off studies now completed, I was wondering if you could maybe expand on some of the optimization done as it relates to input assumptions et cetera.

Then maybe a second question, a follow-up there. You said working to define these next steps. I was wondering if there's a particular bucket here, whether inputs or assumptions that's really driving that process? Thank you very much.

Gregory Lang:

Sure. Thank you for joining the call this morning. Give our best to Lucas. I think the feasibility study and hence the infrastructure concepts for Donlin are somewhat dated now. I think it was important for us to revisit them and make sure that the assumptions on how to fuel the project, how to generate power, how to access it, to make sure they were still valid. As we've wrapped up all of these studies, I think the original concept was validated, and that was very important that it stood the test of time.

A lot of the work you mentioned, specifically metallurgy, very much a fine-tuning process, cushioning the grind a little bit to save on power and some fine-tuning to the flotation cells to increase the recovery a couple of percent. Very in-depth work that enhances the project, although it's not significantly changed it. I think that's the same with all of the infrastructure and our general assumptions on the project, that the project as conceived and permitted remains the best approach to take forward.

Nick Giles:

Great. That's really helpful. I appreciate all the color there. Maybe just one more from a macro perspective. We have a strong dollar, rising yields, inflation that seems to be sticking around with regard to some project costs. What do you think we need to see here to bring some resource Investors off the sidelines?

Gregory Lang:

I think, you're absolutely right. Resource Investors are completely off on the sidelines, and we're not seeing any new institutional Investors coming in. I think it's very much not just in the gold markets, but really throughout the equities. People are taking a wait and see look. What's going to happen with interest rates? Is it higher for longer? The strength of the dollar is also playing into gold and gold equities.

I think what we need to see to really break this is, the Fed is going to signal sooner or later that they can't keep raising interest rates. If you look at gold prices in pretty much every major currency other than the US dollar, they're trading at record high prices. I think once the Fed signals that the rate hikes are over with, I think, the dollar will stabilize, if not drop, and that will be very good for gold. I think gold is just coiling to significantly break out when the economic turbulence caused by the rising rates settles down.

Nick Giles:

Greg, as always, we really appreciate your perspective. To you and the team continued best of luck.

Gregory Lang:

Thank you.

Melanie Hennessey:

We also have a question coming from the webcast from one of our Shareholders, David Lukinsky. Can you strike a deal with an energy company to supply the pipeline to the mine at their cost?

Gregory Lang:

David, thank you for your question and your interest. Now that I think we've settled that bringing gas to the site is the most viable option. In the future, perhaps using Donlin as a hub for energy for the region. I think now that we've settled that, the conversations with other interested parties will take on a new life and it would be our preference to bring in a third party to own and operate that pipeline and we would end up as customers. It's certainly something that is on our minds as we continue to advance the project.

Operator:

This concludes the question-and-answer session. I would like to turn the conference back over to Greg for any closing remarks.

Gregory Lang:

All right. Thank you, everyone. On behalf of NOVAGOLD, our Chairman and our Board, thank you for your continued interest in the Company and taking the time to get a third quarter update. We look forward to additional updates as we lay out the plans for next year. Thank you.

Operator:

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