



NOVAGOLD Resources Inc.

First Quarter 2024 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 2024 First 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, then 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. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero.

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

Melanie Hennessey:

Thank you. Good morning, everyone. We are pleased that you have joined us for NovaGold's 2024 First Quarter Financial Results and for an update on the Donlin Gold project.

On today's call, we have NovaGold's President and CEO, Greg Lang, and David Ottewell, NovaGold's Vice President and CFO.

At the end of the webcast, we will take questions by phone and email. Additionally, we will respond to questions received on the webcast.

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 on our various EDGAR and SEDAR filings and forward-looking disclaimers included in this presentation.

I will now turn the presentation over to our President and CEO, Greg Lang. Greg?

Gregory Lang:

Thank you, Melanie, and good morning, everyone.

Ahead of providing a summary on our first quarter results, I'd like to start today's call with a brief overview explaining why both us and our shareholders consider Donlin Gold a tier-one asset. On the backdrop of a record gold price, it's important to highlight our investment thesis and why we view assets, like Donlin Gold, as more important than ever for the sector and for the investment community.

Starting with Slide 5, with an impressive resource of approximately 39 million ounces of gold boasting a grade that is double the industry average at 2.25 grams, along with a projected mine life exceeding 27 years, Donlin Gold has the potential to be a low-cost, open pit, million-ounce-a-year producer for many decades. Additionally, its expansive land holdings offer outstanding exploration potential, with the current resource area covering less than 5% of the land. Importantly, we are situated on private land that was designated for mining in Alaska, a jurisdiction renowned for its responsible mining practices. The project benefits from a favourable regulatory environment. Furthermore, our enduring partnerships and life-of-mine agreements with Calista and TKC, solidify Donlin's position for successful development.

It is crucial to provide context regarding the Company's achievements following the reorganization that was set in motion over a decade ago, particularly for new investors who may be less acquainted with our history. As depicted on Slide 6, our focus has been executing the strategic vision established by our Chairman and myself. This vision aims to unlock the value of NovaGold's top-tier asset for our shareholders, with the primary emphasis on advancing the Donlin Gold project, positioning it as a pure gold play with a distinct endowment that offers significant leverage.

Looking at Slide 7, Alaska represents a favourable environment for mining and stands out as one of the safest jurisdictions globally. As the second largest gold producer in the U.S., it boasts a clearly delineated permitting process. Countless companies have thrived in this region, supported by a government that strongly advocates for, and acknowledges, the significance of responsible natural resource development.

To touch further on Donlin's assets, as currently envisioned, it boasts one of the largest, highest grade, undeveloped open pit gold reserves totaling approximately 39 million ounces. This endowment suggests an average annual gold production exceeding a million ounces over a 27-year period.

Comparing to Donlin to other gold development projects in the Americas, on Slide 8, it emerges as the largest by a considerable margin. As global gold production trends downward, the industry increasingly requires projects characterized by scale, grade and longevity that can navigate multiple gold cycles effectively.

With the grade exceeding twice the industry average for an open pit project, at 2.25 grams, as shown on Slide 9, Donlin has the potential to become one of the lowest gold producers, lowest cost gold producers in the industry.

Turning to Slide 10, the bar chart shows the post-tax net present value calculated at a variety of gold prices. Today's gold price nears the top end of the chart and would represent more than \$25 billion at a zero discounted rate or about \$10 billion at a 5% discount rate.

Excellent exploration potential exists well beyond the defined resources located in the ACMA and Lewis areas, as identified on the diagram on Slide 14. The current resource occupies only three kilometres of this eight-kilometre system. Incredible potential remains to increase ounces and extend the life beyond what has not already been explored.

As private landowners, both Calista and TKC are dedicated to developing Donlin Gold in a way that remains consistent with their Elders' vision of responsible development, while creating jobs and economic benefits for the surrounding communities, as well as protecting the local culture.

On Slide 12, excerpts from the leaders of both Alaska Native Corporations underscore their dedication. Calista's and TKC's knowledge and guidance have been critical over the years, offering us insights throughout the permitting process, sustainability efforts and community engagement initiatives. Their valuable input regarding land and the substantial economic needs essential for sustaining community wellbeing are deeply appreciated. The enduring collaboration, unwavering project support and the complete engagement of our partners are pivotal in ensuring the Donlin Gold project progresses responsibly and sustainably across all phases. With the combination of these attributes, Donlin Gold has the potential to form the cornerstone of genuine and sustainable economic development for the Y-K region for many decades to come.

Slide 13 showcases NovaGold's achievements in environmental stewardship, health and safety, social and community engagement and corporate governance for the 2023 calendar year. Our latest sustainability report will be released this month, featuring a comprehensive review of NovaGold's performance in all areas of environmental, social and governance, including health and safety, environmental stewardship, community engagement and corporate governance.

The safety and wellbeing of our personnel remain paramount, evident in our track record of well over 10 years without a lost time accident at the Donlin's site. Moreover, a significant portion of our workforce are comprised of local residents.

In 2024, our commitment to excellence extends to continued diligence and improvement across environmental, social and governance fronts. This entails maintaining robust records of environmental, health and safety performance at the site. Additionally, we aim to bolster our investments and partnerships with the residents of the communities in the region, while enhancing our governance practices.

I will now touch on the milestones achieved at the Donlin Gold project during the first quarter, as well as highlight some of our ongoing activities. In the first quarter, with the support from the owners and Donlin Gold, numerous important activities were conducted, as shown on Slide 15. We completed the scope of work for resource

modeling with a third-party consultant, making a crucial independent step in updating the resource model. Furthermore, advancement of metallurgical test work was achieved with the operation of a pilot plant in Ontario, Canada. This allowed us to validate the optimizations to the flowsheet, with completion expected later this year.

Additionally, ongoing data collection initiatives refined some of the crucial characteristics for closure planning, while recent field data in hydrology was incorporated and led to updates in both the groundwater and surface water models. Lastly, our efforts in planning for the regional infrastructure support continued, aimed at refining the scope and laying out the best path forward.

Through ongoing collaboration with Calista, TKC and other local communities, representatives from NovaGold upheld a steadfast commitment to education, community wellness, cultural conservation, and environmental stewardship. These principles are actively reinforced not only at the Donlin project site, but in the 62 communities throughout the Y-K region.

Slide 16 showcases some of the community engagement activities, and a big shoutout to the Donlin Team that always go above and beyond to connect with our stakeholders. In that spirit, Donlin finalized its sixteenth Shared Values Statement, reaffirming its commitment to ongoing engagement with local communities in addressing their specific needs. The inaugural informational meeting for the Subsistence Communications Advisory Committee in Anchorage was held in the first quarter, representing a pivotal partnership that fosters communication on subsistence matters, reflecting diverse perspective on the Donlin Gold project.

Another initiative includes collaborating with local tribes to monitor and assess the conditions and management of the salmon fisheries in the Kuskokwim and Yukon River watersheds and identifying potential project opportunities to enhance the health of the salmon populations.

Support was extended to regional search and research teams in the villages, as well as the Alaska Safe Riders initiative, promoting safety on snow machines, all-terrain vehicles, and all off-road vehicles, which is a common mode of transportation in rural Alaska.

Sponsorship of educational initiatives included the Lower Kuskokwim School District college and career fair, community sports and youth groups, as well as supporting a basketball tournament, a very popular sport in Alaska, giving the long winters a break.

In partnership with the native village of Napaimute, Donlin provided vital support for cultural awareness programs and upkeep on the ice road on the Kuskokwim River, ensuring safe transportation for residents to sports, cultural events, and other economic activities.

Additionally, Donlin Gold proudly continues to fund and support the Kuskokwim 300, a premier mid-distance dog sled race, while also sponsoring mushers Mike Williams and Pete Kaiser, who participated in the Iditarod. Pete is a Donlin employee who recently secured his eighth race title and actively engages in youth with discussions primarily about suicide prevention and aligning Donlin Gold's commitment to support the community wellbeing initiatives.

Finally, last February, Donlin sponsored the Iron Dog, the world's largest and toughest snowmobile race, that covers over 2,500 miles of Alaskan backcountry, in which Kristina Woolston, Donlin Gold's External Affairs Manager, participated. Congratulations, Kristina, a great event.

Donlin Gold is a federally permitted project on private land designated by law for mining activities, as part of the Alaska Native Claims Settlement Act, more than 50 years ago, a differentiating factor from most other mining assets in Alaska. Permitting in the United States represents a significant and rigorous endeavour, where success hinges on years of dedicated efforts to ensure a diligent, thorough, transparent process that engages all stakeholders from the region.

Slide 17 lists all the federal and state permits and certificates received to date. We recognize there is a price to be paid for jurisdictional safety. There are an increasing number of places in the world where permitting is becoming less burdened by the rule of law. The flip side of that relative ease is that these locales offer much less political stability and social reliability than Alaska, the second largest gold-producing state in one of the world's safest countries for free enterprise. We treasure the conviction that knowing when the mine is built, our investors will be able to enjoy the luxury of knowing that Alaska is a place where they can sleep well, confident that when they awaken in the morning, they would still own what they thought they owned the night before. In an evermore complex and fraught world, this sober reasoning makes it well worth the effort.

Looking at Slide 18, in Q1, the Dam Safety Certification preliminary design packages continued to advance. We expect they will be submitted later in the year. Earthjustice filed their opening briefs with the Alaska Supreme Court and Alaska Superior Court in January, appealing Donlin's water rights and water quality certifications. Reply briefs will be submitted in the coming months. The state right-of-way lease briefing was completed in February and Earthjustice has requested oral argument, though a schedule has not been set. In the federal litigation pertaining to the Joint Record of Decision, opening briefs were submitted in February. The State of Alaska, Calista and Donlin are expected to reply in the coming quarter.

Despite these multiple challenges, it is important to note that all appeals against Donlin permits have been unsuccessful. We recognize the importance of preparedness and organization in these matters, and permitting

in the United States and Alaska is a significant, rigorous undertaking. Our commitment remains steadfast in aiding the federal and state agencies in upholding the permitting process and focusing on securing remaining state-level permits. We appreciate the bipartisan engagement and support for the Donlin Gold project in Alaska. We treasure the security that this stability brings.

Moving to Slide 19, NovaGold is pleased to present our 2024 Chairman's Interview, featuring Dr. Thomas Kaplan, our Chairman and largest shareholder, in conversation with Daniela Cambone, Director of Global Media at ITM Trading. This discussion took place at the New York Stock Exchange and delves into the macro perspectives of world events in 2023, the underperformance of gold equities and the strong confidence in gold stocks as a strategic trade this year and beyond. Additionally, the interview explores the investment proposition in NovaGold amidst current market conditions. We encourage you to listen to the full conversation, available at our website.

With that, I will now turn the call over to David Ottewell to review 2024's Q1 financial results. Dave?

David Ottewell:

Thank you, Greg.

Slide 21 highlights our first quarter operating performance. We reported a net loss of \$10.3 million in the quarter, a small decrease from prior year quarter, and that was due to lower Donlin Gold project costs and increased interest income, partially offset by increased interest expense on the promissory note, and higher G&A expenses. In the prior year quarter, Donlin Gold costs included geotechnical drilling for the Alaska Dam Safety Certificate applications, and general and administrative costs increased primarily due to corporate staff additions and salary increases.

First quarter cash flows are highlighted on Slide 22. Cash and cash equivalents decreased by \$8.2 million, primarily to fund our share of Donlin Gold and for corporate G&A expenses. The decrease in spend from the prior year quarter was due to lower Donlin Gold funding requirements, partially offset by the timing of term deposit interest income receipts, and higher G&A costs.

On Slide 23, we note our strong treasury. Our financial position includes cash and cash equivalents of approximately \$38 million and term deposits of \$80 million. For the full year, we continue to expect to spend approximately \$14 million at Donlin and \$17 million for corporate G&A.

Greg, I'll turn it back to you.

Gregory Lang:

Thank you, Dave.

Last December, the Donlin Board approved a \$28.5 million budget for this year, as shown on Slide 24. This encompasses resource modelling, mine planning, metallurgical pilot plant work, regional infrastructure support, geoscience hydrology, closure planning, and the advancement of the Dam Safety Certification applications, as well as ongoing support for litigation, government affairs, our community engagement activities, and sponsorships.

Discussions with Barrick are ongoing to advance Donlin up the value chain. NovaGold remains committed to fulfilling the strategy that has been pledged time and time again; namely, to embark on a bankable Feasibility Study to optimally position this project, setting up a potential construction decision when the time is right, for the benefit of all of our shareholders and stakeholders. This unwavering commitment and extensive groundwork thus far has added substantial value in a responsible manner for all stakeholders and Alaska residents, as well as NovaGold shareholders, on Slide 25. With multiple tailwinds of the macro backdrop, the project size, quality, low-cost structure, and exploration upside, we intend to solidify Donlin's status as what we believe to be the best gold development story in the world today. As a tier-one asset in a tier-one jurisdiction, we believe that Donlin truly epitomizes a great asset, that one can get great leverage, in a great place, to allow them to keep the fruits of that leverage.

We are thankful for the decisions of our shareholders to invest in our Company and for their continued solidarity and engagement. We reaffirm to each and every one of them that, as stewards of the Company, we continue to be focused on delivering on our strategy.

Operator, we are now ready to open the line for questions.

Operator:

Thank you. 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 are 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.

Lucas Pipes:

Thank you very much, Operator. Good morning, everyone. Greg, I wanted to ask about the potential to maybe speed up a revised Feasibility Study in the context of a sharply rising gold price. Obviously, pretty remarkable

what has happened here over the last few weeks and my sense is there's investor appetite for an accelerated development period. Wondered how you think about that. Thank you very much.

Gregory Lang:

Good morning, Lucas, and thank you for taking the time to join our call. As I noted in my presentation, we're working with Barrick to determine the optimal time to commence on a new Feasibility Study. I think you're absolutely right. The Company is well positioned, we've got a lot of cash. We're in, certainly, a very rising price environment, and I think, from our perspective, the time is right to move this project forward. Bear in mind, the Feasibility Study will take us 18 to 24 months, and I think, by the time it's done, we expect prices will be higher and we want to position this Company to make a construction decision when the time is right, and we think that time is on us now. We're working with our partner to advance these things.

Lucas Pipes:

Okay, that's helpful. Based on what you know today, and understand you'll have to study this, but based on what you know today, what gold price makes the construction decision a no-brainer? Is it \$2,300, it is maybe slightly higher than that? I'm curious how you think about that. Thanks.

Gregory Lang:

I think, at the risk of sounding flip, that's why we want to undertake a new Feasibility Study, but to answer your question, my sense is we've passed the price point we need to really feel good about this project. As we look forward to updating the Feasibility Study, I think we'll understand it. Yes, there's been inflationary pressures, but across the board, I think we'll determine that the margins have expanded at a much greater rate than inflation, and all of these issues will be thoroughly addressed in the context of a bankable Feasibility Study.

Lucas Pipes:

Thank you, Greg. Then, as for the current plan on supplying energy to the mine site, can you update me what the—current plan is maybe not the right phrasing, but in terms of what is your thinking today with regards to the energy supply to the mine site? Is a natural gas pipeline, in your opinion, the most likely scenario, or what alternatives could present themselves? Thank you very much.

Gregory Lang:

Sure, Lucas. In our Feasibility Study, the gas pipeline was the most preferred option to delivering energy to site, and it envisioned that LNG gas would be brought into the port in Anchorage and then put into the pipeline. That still remains the most viable option. Right now, we're working with various groups to determine is there potential for third-party participation in that undertaking, as well as how can this pipeline play a role in the regional energy

infrastructure. A lot of moving parts for it but delivering gas to the site and generating power at the site remains the preferred option, and I think third-party participation can certainly enhance the project for us.

Lucas Pipe:

What would third-party participation look like to you, can you expand on that a bit?

Gregory Lang:

It's early days of the conversations, but, certainly, there's interest from several Native Corporations to participating in the building of the pipeline, as well as interest from the State of Alaska and other private entities. I think there's broad interest in the pipeline. Remember, rural Alaska, the energy costs are unbelievably expensive, because one, it's difficult to get energy there and, two, the demand is relatively low. A big consumer of power, like the Donlin mine, could really anchor the infrastructure coming into a very, very underserved part of the country. There's money available to help these underserved regions through the federal government. We're working with a lot of people that are very interested and supportive of seeing something that brings energy into the region. We continue to work on that.

Lucas Pipes:

Great, that is helpful. Thank you for all the detail, and best of luck.

Gregory Lang:

Thank you, Lucas.

Operator:

The next question comes from Don DeMarco with National Bank Financial. Please go ahead.

Don DeMarco:

Thank you, Operator, and good morning, Greg, and team. Thanks for the comments, additional colour, and congratulations on all your continued strong ESG initiatives. I guess the first question. Let's consider the bankable Feasibility Study is completed—maybe that'll be a year, maybe it'll be longer—all partners agree, it's completed, and the Board even reaches a favourable go-forward decision to build the mine. What would be the next steps then? The previous caller mentioned a gas pipeline, what steps would be involved on that, and any additional permitting and timeframes associated? I'm just trying to get an idea of, if all parties can agree and move forward on this, what would it look like post bankable assets?

Gregory Lang:

All right. Let me break that into pieces, Don. I will first address the permitting. We received a federal permit and then, as highlighted in our materials, we've essentially completed the state permitting process. We only have one state permit left, a major one, and that's the Dam Safety Certification, and we're working on that now. That one has never been on the critical path. The federal permits authorize you to disturb the land and the state has regulatory oversight of tailings dam structures, hence the additional layer of approval. It's never been on the critical path, and we expect to have that wrapped, certainly, concurrent with any Feasibility Study update.

To put a little bit of colour on your timeline, let's say the owners reach the decision in the middle of this year to update the Feasibility Study and an engineering firm would be contracted, and that work would take 18 to 24 months. I think the path forward from there will be—we believe gold prices will be stronger in two years and that the owners will then be well positioned to make an informed decision and secure financing. I think, certainly, time is on our side. All of the work we're doing this year ultimately lays the foundation to updating the Feasibility Study, and a good deal of the work would be done in conjunction with that study. I think we're getting more and more prepared for that decision as each day goes by.

Don DeMarco:

Okay, thanks, and on permitting, of course, it's encouraging to hear all the progress you've made, but if you decide to go with a pipeline option, is there any additional permitting that might be required, say, for example, along the route of the pipeline, or something?

Gregory Lang:

Let me clarify that the permits for the pipeline are in place. That was included with the original permitting undertaking. We wouldn't need—let's say we decided to defer the pipeline into the future. You wouldn't need to re-permit. When we permitted the project, we covered everything from the power plant to ports, the infrastructure, the gas pipeline. It was an all-encompassing effort that specifically addressed all the infrastructure. As long as we stay within the bounds of what's been approved, the permits are in place for the activities that we see unfolding.

Don DeMarco.

Okay, excellent, thank you for that. Maybe just as a follow-up question, then. I see your planned spend for 2024, you've got a strong balance sheet, you have a term deposit. Are there plans over the next year or so with potentially moving the term deposit around into cash or other forms on your balance sheet?

Gregory Lang:

We've been—as we manage our cash right now, we really look to optimize the interest we earn on that money. A couple of years ago, that was virtually impossible, but in today's world, we seek out good, safe ways to invest our treasury. Our budgets are pretty well defined and we certainly free up cash, as we need to, to fund our ongoing activities. Dave, is there anything you'd want to add to that?

David Ottewell:

We will likely just continue on the same course that we've been on, and we'll have part of it in cash that earns interest, and also in term deposits, and we just take advantage of the rates at the time if they come down.

Don DeMarco:

Okay. Okay, thank you very much. Good luck with Q2. Thanks, guys.

Gregory Lang:

Thank you.

Melanie Hennessey:

Greg, we have a few questions coming from online, from the webcast. "Can you speak a bit about permitting, particularly as it relates to your experience in permitting in the U.S. and the appeals process and the ability for Donlin to proceed with development in light of permitting and these appeals?"

Gregory Lang:

I'll address that question and just really take a step back. I've been working in mining, particularly gold mining in the United States, for almost 40 years. Back in the early days, permits, you could get a mine permit in less than six months, and appeals were virtually unheard of. Over time, the process has certainly gotten more rigorous and more inclusive. Frankly, the changes, I support them. When you set out to permit a project in Alaska, or anywhere in the U.S., you know what you're getting into, it's a very defined, very rigorous process, and that's what we've experienced with Donlin. You can't hurry these things; you've got to be methodical and careful.

The other aspect about permitting in the United States is, invariably, there will be a challenge. I've seen that for probably the last 15 years, I haven't been around a project that did not get challenged, but every project that I've been involved with that got challenged did not get slowed down. Challenges are certainly a part of the process, we expected it from the beginning, and we had competent counsel with us every step of the way. We've got a couple permits under appeal. Every ruling to date has supported the process, and I think that will continue.

Permitting, yes, it is complicated, but it's certainly doable, and once you have those permits, you're good.

Melanie Hennessey:

Great, thank you, Greg. The next one is, “Would you consider buying back shares, and if not, why?”

Gregory Lang:

Right now, we are very focused on using our treasury to advance the Donlin Gold project, that would be our inclination right now, but then, again, we watch the markets. We think at current prices our shares do represent tremendous undervaluation. We never rule anything out and we pay very close attention to the markets and what is happening, and we also, certainly, stay in touch with our major shareholders. But, right now, our focus has and will continue to be advancing the Donlin project.

Melanie Hennessey:

A bit in that same light, “Can you comment on the pressure on the share price and near-term catalysts to recover the value?”

Gregory Lang:

You know, the pressure on all of the gold stocks, particularly the development stocks, has been pretty brutal this year, and we’re certainly sensitive to that. I think markets ebb and flow and the main thing that we do is we really—we focus on the things we can control. We have a long track record of advancing the Donlin project through good markets, through bad markets, and we’ll continue to remain focused on that main objective, which is taking the Donlin project up the value chain and ultimately to a construction decision and ultimately to construction. We do watch the markets and we do watch the share price and we take that into consideration, and try not to get too frustrated, because you can’t control the markets. We can only do what we can do, and we remain committed to our strategy of advancing Donlin.

Melanie Hennessey:

The last question is coming from the webcast, “Can you speak about the treasury and the last time you completed a financing and how you look at your cash position for the future needs of the company?”

Gregory Lang:

Sure. Our cash needs are—you know, we have \$118 million in cash, and you can see from our projected spending that that’s going to sustain the Company for many years into the future, and that we’ve got cash on hand to fund our activities and ultimately a Feasibility Study. Our last equity raise was in 2012, we raised \$330 million at \$9.50 a share, and we’ve been very careful with our funds. Not many companies in the development space can go well over 10 years without needing to go to the equity markets, and we don’t see a need to do that any time soon. We’re certainly mindful always of minimizing the dilution to our existing shareholder base.

Melanie Hennessey:

Operator, that's all the questions from the webcast.

Gregory Lang:

Thank you, everybody, for taking the time to join the call and get an update on NovaGold.

Operator:

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