NOVAGOLD Resources Inc.
First Quarter 2020 Conference Call and Webcast Transcript

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Speakers:

Thomas S. Kaplan
Chairman

Gregory Lang
President and Chief Executive Officer

David A. Ottewell
Vice President and Chief Financial Officer

Mélanie Hennessey
Vice President Corporate Communications

Operator:
Welcome to the NOVAGOLD 2020 First Quarter Results and Project Update Conference Call.

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.

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

Mélanie Hennessey:
Thank you, Claudia, and good morning, everyone.

We are pleased that you've joined us for NOVAGOLD's 2020 First Quarter Financial Results and for an update on the Donlin Gold project. On today's call we have Dr. Thomas Kaplan, NOVAGOLD's Chairman; 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, both by phone and by text. Before we get started, I would like to remind our listeners that, 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 over various EDGAR and SEDAR filings, and forward-looking disclaimers included in this presentation.

With that, I have the pleasure of introducing Greg Lang, NOVAGOLD's President and CEO. Greg?

Gregory A. Lang:
Thank you, Mélanie, and good morning, everyone.

These are unprecedented times and our most important objective right now is to secure the health and safety of our employees, partners and contractors. In that regard, our employees are working from home, avoiding all non-essential travel, and if they must visit the office, of course, they're engaged in social distancing.

NOVAGOLD and our partner, through Donlin Gold LLC, have implemented a wide-ranging set of policies consistent with the State of Alaska's health and social service requirements and recommendations. These precautions include screening all employees and contractors visiting the site, evaluating any individual who might be exhibiting symptoms to determine if they need to be isolated, implementing more frequent sanitation practices, and conducting safety meetings to address the current situation.

The Donlin Gold drill program commenced as planned in February and continued through March; however Donlin Gold will temporarily pause the program and go into care and maintenance until travel restrictions and other COVID-19 measures in the region are eased and it is safe for our employees and contractors to return to the site.

Moving to Slide 5, Donlin Gold in Alaska is a 50/50 joint venture with Barrick. Alaska mining is an important part of the Alaskan economy and becoming even more important as the oil industry and tourism are collapsing. There are six producing mines and numerous exploration and development projects that are advancing across the State, as shown on the map.

The future of smaller communities is a serious concern for many residents of Western Alaska and Donlin Gold offers a brighter future with training and opportunities for young people to live closer to home and continue their subsistence way of life. With other resource industries experiencing low or no growth, the opportunities in mining present good paying jobs closer to home for Alaskans living in the rural parts of the State.

Slide 6 highlights the first quarter operational activities with the receipt of several State permits early in the year and the preparations for the drill program. We had three rigs on site in early March. We've also continued the advancement of the multiyear site investigation needed for the Alaska dam safety certifications and we continued our community investment initiatives with our Native partners, Calista and TKC.

Our record of successful permitting continued with the receipt of Donlin Gold's final easements for the access road and fibre optic cables, including the receipt of land use and land use permits and authorizations for the proposed transportation facilities on State land. Additionally, the Division of Oil and Gas finalized the Right-of-Way lease for the natural gas pipeline. All of this happened just in January.

Permitting takes tremendous leadership and attention to detail, and transparency from Donlin Gold, with the support and contributions of TKC and the communities closest to the mines. We greatly appreciate the dedicated efforts of the entire team in advancing permits and approvals for the project and their commitment to environmental and governance best practices.

Donlin Gold progressed its ongoing optimization efforts to establish a plan for 2020 that would allow the owners a greater understanding of the recently prepared geologic model and high-grade mineralization controls, all of which have the potential to benefit the project and will serve as a basis for an updated study.

The drill rigs on site are completing their holes and then we will pause the program and go into care and maintenance. NOVAGOLD's most important objective is to secure the health and safety of its employees, and they will not return to the site until it is safe to do so.

While the global health crisis has a short-term impact, it is not yet known how long the program timeline will need to be adjusted, and we will keep you posted of any changes.

Through these times, we are dedicated to keeping our community partnerships strong and engaged in environmental, safety, educational, and cultural initiatives.

In the first quarter, Donlin and NOVAGOLD participated in numerous community activities and projects, as highlighted on Slide 8. Donlin worked with TKC and the State of Alaska to upgrade and improve health and safety standards of water and sewer services in the Middle Kuskokwim area. In partnership with TKC, the Village of Crooked Creek, and the Napaimute Tribe, Donlin funded and provided technical data to extend and maintain the ice road through the winter months. This improved the safety and access to remote communities. We routinely meet with our partners' Boards and we delivered a project update to TKC and the Middle Kuskokwim villages. We also supported regional basketball tournaments in the Bethel High School. Bethel is approximately 140 miles from Donlin, and the closest major town to the project.

With the support of its owners, Donlin Gold continued its outreach activities with our Native Corporation partners, via meetings and Tribal Council and stakeholder meetings. More recently, we have, of course, shifted to phone calls and conference calls, given the ongoing situation.

While the team recognizes the success of the State permits issued in the first quarter, we remind our shareholders that the Donlin Gold project is already federally permitted and numerous State permits are in hand, as listed on the table on Slide 9. One of the remaining State permits is the dam safety certifications and this is a multiyear effort, which we will continue.

And with that, I'll turn the call over to our Chief Financial Officer, David Ottewell. Dave?

David A. Ottewell:
Thank you, Greg.

First quarter 2020 cash flows are highlighted on Slide 10 [sic, Slide 11]. Cash used in operations was $2.6 million higher than in 2019. The majority of the increase resulted from higher Donlin Gold funding in advance of the drill program, and withholding taxes paid on vested PSUs in addition to lower interest income. The increase in our stock price and its performance in relation to the S&P/TSX Global Gold Index led to a higher vested value of PSUs and resulted in more taxes withheld. We ended the quarter with cash and term deposits of $140.7 million.

On Slide 10, highlights of our operating performance for first quarter 2020, our net loss increased by $0.3 million to $6.6 million, primarily due to higher G&A and Donlin costs as well as lower interest income. The G&A increase resulted from higher share-based compensation and regulatory costs. Donlin Gold expenses increased due to preparations for the drill program.

On Slide 12, we note our healthy treasury. We continue to anticipate spending of approximately $31 million in 2020, which includes $20 million to fund our share of expenditures of the Donlin Gold project and $11 million for general and administrative costs. At Donlin Gold, $11 million is planned for the drilling program and with the remaining $9 million for permitting and community engagement.

Back to our CEO, Greg Lang.

Gregory A. Lang:
Thank you, Dave.

The past couple of months have been memorable to the gold markets and it's times like these that we are particularly reassured to be invested in a unique project like Donlin Gold, a federally permitted project in a jurisdiction where the rule of law is not a novelty, with strong long-term partnerships with Calista and TKC, which are all rare attributes in today's world of declining grades and smaller deposits.

On Slide 13, we compare Donlin Gold's 40 million ounces to 13 other development stage projects in the industry. If you look at the peer group, Donlin's resource is better than twice the size of the nearest competitors' and five times the size of the average.

While the scale of the resource is rare, another is the grade, as shown on Slide 14. The average grade of Donlin sets it apart from other large-scale open pit deposits. At 2.25 grams per ton, it is more than twice the industry average. It is also noteworthy that the global average grade continued to decrease year-over-year from 2018 to 2019.

With scale and grade, if it was built today, Donlin Gold would be the largest producing gold mine in the industry. For the long-term investor, there's additional value that comes with a mine that has a multi-decades life span, almost 30 years of production just from the current resource. As envisioned, Donlin Gold would average a million and a half ounces over the first five years and over a million ounces per year life of mine. There are few mines in the world, existing or proposed, with that level of gold production.

The ACMA and Lewis deposits can be seen on Slide 16. As you can see, the topography at Donlin is favourable for development. It is rare in mining projects today that both the mineral and surface rights to the project land are privately owned. In our case, by our long-term partners, Calista and TKC.

As shown on Slide 17, the ACMA and Lewis deposits contain the resources, but occupy only 3 kilometers of an 8-kilometer gold-bearing trend. We've done extensive drilling; over 1,400 holes totaling 340,000 meters. Our focus is continuing to optimize the project of their clearly future opportunities for expansion of the resource along the known mineralized trend. When the time is right, we will resume exploration drilling.

There's tremendous value in having a project like Donlin Gold on private land. Calista owns the mineral rights, and locally TKC owns the surface rights. We have life of mine agreements with both partners who have been deeply involved and supportive from the start, as highlighted on Slide 18. We've been partners since 1995 and we are thankful for Calista and TKC's long-term support and commitment to the project's success. We support their mandate through ANCSA to help them develop their land for the economic benefit of the regions and all stakeholders involved. They've got a genuine owners' interest in seeing the project go forward.

Times like this we are all experiencing or responding to the COVID-19 crisis and its impacts on the health of our communities and our economies. We gain comfort from the longstanding relationships that unite us in the common goal of bringing the Donlin project up the value chain. We continue our engagement with all of our stakeholders. We also continue our interaction with our investors as it improves our governance practices. Engagement helps promote the health and safety of our people throughout the region and on the river during the various seasons; it brings our support of the well-being and well-being of the communities and assistance to youth to the forefront. We're partnering to improve the environment and we're always recognizing the importance of preserving traditional lifestyles, while bringing tangible long-term benefits to our community partners. We are better together.

With that, I will now turn the call over to our Chairman, Dr. Thomas Kaplan, who will give us his insights into gold. Tom?

Dr. Thomas S. Kaplan:
Thank you very much, Greg. I certainly hope that all of you who are on the call and those of our friends and shareholders who aren't, that our words fall upon you in a state of safety and good health. These are unfortunately the "very interesting times" that the Chinese would refer to and all of us have to be in even greater cognizance of the challenges that we'll be facing in the years ahead.

With that, let's remind ourselves what we have in Donlin and what makes it not just something that is a Tier 1 asset - an expression to which I'm indebted to Mark Bristow at Barrick - but also something which Greg himself referred to as unique. As many of you know, Greg came from Barrick where he was the President of Barrick North America for many, many years, running an operation that was actually producing more gold than Goldcorp at the time. When he came in to NOVAGOLD, I came in to NOVAGOLD. I'd already been an investor from the end of 2008, but when Greg became CEO, I became Chairman. We've celebrated eight years together and during that time I'm very confident that every statement that we've made, every promise that we have expressed, has been met with success.

The primary reason for that is because of, not just the Management team, but the fact that Donlin is not just a "world-class asset" it really is unique. There is no other development stage asset in the world which combines the reserve, grade, production capability, the exploration potential, the mine life, the leverage to gold, and superimposed onto all of that, in a jurisdiction that will allow you to keep the fruits of the leverage when the time comes for you to ring the cash register.

But, in fact, it really is even better than that. Donlin is the right asset for this moment in the gold market.

If we could move to the next slide. Gold is in a secular bull market. We went through a cyclical downturn from 2011-ish until last year. I was not immune to the nuclear winter psychology in a certain sense of the gold industry, and when David Rubenstein wanted to interview me about gold for his Bloomberg Peer-to-Peer series, I said, "Do we really have to talk about it? I want to wait until gold pops," and by a stroke of luck, when we did the interview, gold had had its last real pullback and the price was $1,280 and from then on it started to move up and never went down below that.

We got it lucky and yet luck is really only a part of it. The reasons to own gold are multifaceted. I'll get to those in a moment. But suffice to say that when David asked me what my target was for gold, I told him that based on the industry fundamentals themselves and the challenges faced by the gold industry, I believe that a normative supply/demand equilibrium would come somewhere between $3,000 and $5,000 an ounce. That is still my initial target. But I also alluded, and this is a year ago, to some other dimly perceived variables that could make that just a first target.

I'll just say this. I do believe that when we look back upon where gold is today and we see where it will be years hence, the chart pattern will not be dissimilar to that which really has characterized the Dow Jones from the early 1980s to where it has been recently. The implication is that we're going to see gold at much, much higher levels. If you look back, and obviously history doesn't repeat itself, but on occasion it rhymes, you can see that gold is actually playing out the bull market in a way that is not dissimilar to what we saw in the 1970s.

I do believe that the chart patterns—and chart patterns to me are just brainwaves, I'm a historian by background, I don't believe that technicals rule, but on the other hand I've learned that if the fundamentals are right and the technicals corroborate them, you really know that you're going to get the wind in your sails. That's what's happening in gold. The saucer bottom, as it were, that we're seeing is a very, very powerful chart pattern and I do believe that what we're seeing is the beginning of the next leg in the secular bull market; leg number one having taken us from $250 to $1,900, leg number two a pullback to almost $1,000, the third leg will take us into the new highs and far beyond that.

All of my predictions in this instance were not predicated, I hasten to add, by what I call the fear factors; things such as pandemics and crises and wars and pestilence and all of that. I've always believed that if you can't persuade a sentient being on the case for something based on Economics 101 supply and demand and you have to resort to what I call the fear factors, the last refuge of the scoundrel, then you shouldn't be in that business, either for yourself or for anyone else. Suffice to say that I do believe that extrinsic of the incredibly trying circumstances that we see now, gold will multiply.

Unfortunately, as a consequence of some of the macroeconomic measures which are going to be taken in order to get the world through this, it's very possible that we will see prices much higher than I had been forecasting over the longer term. The reason for that is not so much a consequence of the pandemic itself. I've always believed that the business cycle will not repeat itself and that we could one day get an economic downturn. That economic downturn would lead to measures which would be, from a macro standpoint, very gold bullish. That's happening. It was going to happen anyway. Those who are bullish on gold are not in any way profiteers. They're just people who believe in a currency that cannot be printed regardless of circumstances.

We can move to the next slide.

Again, Economics 101, what we've seen in the gold industry is that gold production has effectively peaked. We have seen peak gold. For those of you who can remember what peak oil looked like, the reality is that, unlike hydrocarbons, when gold peaks you just can't turn it on. Unlike hydrocarbons, we do not have large reservoirs of trapped reserves that a new technology, such as fracking or horizontal drilling, can unlock. It just simply doesn't exist. We don't even have the technologies like 3D seismic to allow us to explore in more efficient ways. As a consequence, the majors are depleting their reserves faster than they can replenish them, in most instances. That is unfortunately going to be accentuated dramatically by what I predict will be a fall off in production from the developing world for reasons that we will get to in a moment.

Exploration success, never easy in the best of circumstances. When I got into the business it was calculated that the odds of being able to make a discovery that would take a prospect to production was somewhere between 1,000- to 10,000-to-1 against you. Those odds still pertain, and this is the longest period in which we've seen really no new great discoveries in the gold market. What's worse is that even if you do make a discovery, the timeline from discovery to production is now calculated, on average, to be in excess of 20 years, which means that as we embark upon the next leg of the bull market, because the trapped reservoirs, the resources, are not there to be unlocked, because the exploration is not there, because it takes so long to be able to take those rare exploration stories to market, it's already a case where the horse is already out of the barn and it's been locked. If you're not going to gain exposure to high-quality gold assets in excellent jurisdictions, you will end up buying them.

I do believe that those who have great assets in safe places will experience for their equities a bubble. I do believe that you will see North American assets valued using the zero percent discount rates that pertained before the early 1990s when Newmont went to Yanacocha and set off the animal spirits, the "go where the gold is" philosophy that took people all through Africa, South America and Asia, as somebody who as an American was probably one of the two or three most adventurous who made their fortune in Bolivia, Zimbabwe, South Africa, Congo. I sold Kibali to Randgold. I'm not speaking as a Pollyanna. I'm not talking my own book. I wrote the book. Until the time that I realized that these regions would become more difficult, I was in fact the largest holder of mineral rights in the Islamic world. At a certain point I realized that - not because it was the Islamic world but the developing world in general - that the areas that had been so good to me, that that game was over.

I think that what we're seeing by the combination of mine supply falling at the same time as grade has fallen over the last decade, which means that operating costs have risen, when you superimpose the other jurisdictional factors onto that you really do see that peak gold is exactly that. Ian Telfer, I think, made that comment several years ago and he was spot-on. The truth is we're seeing it in the market.

If you can move on.

Question about central banks. Central banks are what I call the ultimate insider buyers. Now there's some people who say central banks are not smart money. My point would be this. It doesn't matter whether they're smart or whether they're incompetent. One thing that they do know is that what they consider to be reserves are ephemeral. And unfortunately, the last month has proven that. There is almost nothing that they own that cannot be duplicated and multiplied by the press of a button. The only asset that they have in their portfolios that does not represent either their liabilities, because they're putting a lot of their own stuff on their balance sheet, or someone else's liabilities, is the gold. Not surprisingly, central banks have been buyers of gold.

What does that mean for the gold investor? So long as central banks are not net sellers, which I don't see happening at all, it means that one of those areas that push the price of gold down through the ‘90s is now gone. Just by them being absent from being sellers is good enough. The fact that they have now become buyers is a reflection of the fact that they understand that everything else that they own is a challenge. This is going to continue. There will be times when they will pause when the price of gold goes higher or because they need to sell some gold for other liquidity because there are other things they can't sell. It doesn't matter. They're going to keep their gold. Any thought that central banks will be large sellers of gold is over. They get it. They understand they shouldn't sell it. If anything, what you've seen in the market is that these countries are repatriating their gold. They don't even want to leave it with traditional custodians in London and New York. They want to be able to have it back where they can look at it. That's a statement.

You can move on.

Meanwhile, we have a number of demand pressures which are going to be squeezing the already dire supply issues that I've cited. One of the great factors for gold investors, especially those who are used to being called gold bugs, or cave dwellers, or troglodytes, or whatever we are, is that over the course of the last year, being bullish on gold has gone from something that is derided or mocked to something that is now a legitimate question for the broader investment market. And we've seen that in the diversity of the names who have been advocating gold ownership, as well as the multiplicity of reasons for which they advocate.

These names have often very different reasons for why they're gold bulls, whether it's Ray Dalio or Mark Mobius, Sam Zell, Jeff Gundlach, Ken Rogoff, I could go on and on. The point is that if somebody comes on to CNBC now and talks about gold, yes, an eyebrow may be arched but you will not have the traditional knee-jerk reaction of, "Gold? You've got to be kidding." That's extremely important. Gold is not a crowded trade. The contrarians amongst you should not make the mistake that, "Oh, because gold is now something you can talk about, it means it's a crowded trade." Not remotely. It's the most under-owned trade in the financial world.

That will change. I don't know where they're going to get the gold because even a one percent allocation by the really big money out there would multiply the price of gold. But it's going to happen. I do believe that every fiduciary ultimately is going to have an allocation to precious metals one way or the other. They're going to do it for diversification. They're going to do it because their clients are going to see that gold is going up and that's going to drive them to take a little bit of a position because they're not going to want to answer questions on why they don't own gold. Some of the reasons that they will advocate it: asset diversification, safe haven, a currency that can't be debased, that central banks are purchasing it, inflation protection, deflation protection, emerging market demand.

When you see all the different reasons, you'll be shocked at how many there are. For us, that means that when the gold bull market really resumes and we see new highs, instead of people mocking gold, they're going to scratch their heads, they're going to do what investors usually do, which is really only to look at something after the price has risen and they start asking, “hould we have an allocation to it?” and then they're going to see all the different bold faced names who have advocated gold buying for very different reasons, they will choose the hook on which they wish to hang their hat and they will buy gold. It will be easier for them psychologically to buy gold at $2,600 than at $1,600. Mark my words. Next?

I don't even have to mention the fact that I think it was Bloomberg came out with an article a couple of days ago that gold is one of the only three, four assets which is actually up during this recessionary period. When you think that gold is with a 16-handle, which is basically where it was before the stock market crash, that's quite a statement. That's shown that gold is a good place to be able to have some cash parked for a rainy day. The implications for gold stocks I'll talk about in a moment.

But the truth is gold belongs in everyone's portfolio. I think Ray Dalio had it right when he said that those who don't own gold either don't understand history or the economics of gold, and he gave reasons for owning gold as a currency. Sam Zell because there are no new mines coming online. Mark Mobius because of diversification. Ken Rogoff because of the emerging markets. Jeff Gundlach, gold is coiling like a snake, looking at the chart pattern. Paul Tudor Jones, same thing, gold will be the trade of the year.

When you have a little bit of gold it should give you some peace of mind. Gold is doing what it's supposed to be doing right now. It's providing liquidity to people from an asset that's appreciated in order to be able to help those people who own it who have other assets that have fared worse. Next?

Okay. Last year I gave another interview in which I got to talk about a lot of my other passions, but during that interview on Real Vision – which you can certainly get access to on the internet, and there are a lot of other people who've been interviewed for Real Vision. I would certainly advocate those who are interested in gold watch John Hathaway's interview as well – and we spoke considerably about gold. During that interview, Dan Tapiero, who's a brilliant gold investor in his own right, told me that for a number of years he's been referring to a certain mantra that I have as The Kaplan Doctrine. I liked it. It definitely appealed to my vanity.

The truth is that from the time that I enunciated this Doctrine in 2012 at a conference that John Paulson convened on gold, this has really worked for me. I used to be 50 percent North America, 50 percent other places around the world. I'm now 90 percent, 95 percent North America and Australia. It is my considered opinion that after having visited 109 countries, after having made a lot of money in the developing world, that that era of “go where the gold is,” I believe, personally, is over. Whereas my mantra used to be “Acquire category killer assets that give the greatest leverage to the underlying investment thesis that you're investing in” and it worked for me in silver, platinum, hydrocarbons, I came to add a corollary to that, which is “Do so in jurisdictions that will allow one to keep the fruits of the leverage.”

I truly believe that institutional investors when their brokers come to them and say that they have a management team coming in with a world-class asset are more and more going to respond to that by saying, "It sounds great. I'd love to meet them. Just tell me one thing. Where in the world are they?" because if it's in a place where the rule of law is a novelty, if it's in a place where they wouldn't take their family, if it's in a place where one day they're going to have to defend to their IC why they went into a place where there was de facto or de jure confiscation, it's just not going to work. People are going to, first and foremost, pay the highest multiples and use the lowest discount rate on those assets that are in places where when they go to sleep at night they know that whatever they owned in the morning they still own. Next?

There's no doubt in my mind that Donlin, which as I will repeat, is unique in its combination of attributes. It will in, one or two stages, be the largest pure gold producing mine in the world, located in the second largest gold producing State in the premier jurisdiction in the world. That is, for us, as investors in this space, the Holy Grail. If I did not believe that were true, I would put the Company into play and I would pivot to something else.

Because I believe it's true, I absolutely am convinced that as people start to scramble for investment in gold equities, one of the only true go-to stocks, and perhaps the highest valued development stage equity, will be NOVAGOLD because of its half interest in Donlin; the 39 million ounces would be the largest gold mine to go into production when it does.

As you've seen from Greg's charts, we truly believe that the exploration potential at Donlin is second to none. That's just along the 8 kilometers which we've drilled in the past. The 39 million ounces are only drawn from 3 kilometers. Of that, we believe that there's a lot more gold at Donlin, and when those exploration results are able to be shown in months or years hence, and if gold is in a bull market, I truly believe that companies that are able to add high-quality, high-grade reserves in safe places easily or quickly will be very, very rewarded in their share prices. In a bear market, nobody cares. In a bull market, great drill results are like catnip.

Donlin is a perfect play. There are two ways to play it. We are a pure play at NOVAGOLD, and for those who want exposure to a big cap with diversified production, you've got Barrick. Some will own both. One thing I can tell you. In our opinion, Donlin is, in terms of its potential, the next Nevada. Actually, the reserves are not altogether dissimilar to the joint venture. There are no pure plays on the Barrick/Newmont joint venture, I wish there were. But that is a great story. I do believe that Donlin will be the next great story in North America and NOVAGOLD provides an absolutely pure play on "the next Nevada." Next?

The leverage to gold at Donlin we've all known. These are numbers based on the feasibility study that was conducted in—or concluded in 2011. A lot of input costs have fallen since then. Unfortunately, they've fallen even further in some respects over the course the last couple of months if you look at the price of oil and other inputs.

The bars that you see here - NPVs at 5 percent, NPVs at 0 percent – I have zero doubt myself that Donlin will be valued using the 0 percent discount rate. It's what American assets were valued at before the “go to the gold” mantra took hold. At that time, just to show you how times have changed, there was no Indonesia, there was no Africa, there was no Peru even. It was Canada, Australia, South Africa and the United States. At $2,000 gold, I believe the potential is for NOVAGOLD to multiply manyfold. Two thousand dollars to me is not a number; that's just going to be something that gold slices through on its way to the next equilibrium level. Next?

We have a very strong shareholder base, been with us for years. We are, I hope, one of their best performers. It's no consolation if you're not necessarily up the most—or up in absolute terms, but in relative terms we've done rather well. A common refrain from our shareholders is that they get comfort that the owners live above the store. The relationship between Greg and his team, and myself representing the largest shareholder, are truly impeccable. But I can also say that the relationships that we enjoy with our shareholders - Fidelity, Paulson, BlackRock, Van Eck, First Eagle, Tocqueville, Exor, JNE, Empyrean - we have a wonderful shareholder base. Everyone knows that if they want to talk to me all they have to do is send me an email or send Mélanie an email and I'm nothing if not responsive. I'm the opposite of reclusive.

But the point here that I would stress is this. If you want to know everything which we've done or will do in the future, read our Annual Report from last year and from this year. We pride ourselves on having an annual report that is comprehensive and transparent enough that when we actually go visit our shareholders, they want to talk about other stuff because they know exactly where we stand on every issue. Our Q&A is meant to be comprehensive. Read it. A lot of work goes into it. A lot of calories are burned up in doing it, and that's to make your jobs easier. Next?

We have stakeholders who recognize we have a Tier 1 asset, unique in its qualities, as well as jurisdictional safety. Our balance sheet means that we do not have to raise money under duress at all. To the contrary, if the market does stupid stuff and goes into disequilibriums, we're one of the only companies that could actually buy back shares and do so without impairing our future. To the contrary. Our production profile will be the largest pure gold mine in the safest jurisdiction. The Leadership Team could run a major mining company. Once again, I have to stress, we're in a place that loves our asset. We could not enjoy better support from our local partners and stakeholders, TKC and Calista. They are absolutely wonderful partners. The State and the Federal Government could not be more supportive of what we're doing. Next?

The appendix, anyone can gain access to it. I now hand the baton back to our CEO. Greg?

Gregory A. Lang:
Thank you, Mr. Chairman. We would now open the line for questions.

Operator:
Thank you, sir. 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. We will pause for a moment as callers join the queue.

Our first question is from Lucas Pipes with B. Riley FBR. Please go ahead.

Lucas Pipes:
Hey, good morning, everyone. I hope everybody is safe and healthy and you have a good safe place here to get through this unprecedented time.

Tom and Greg, I wanted to ask first about a question I get fairly frequently these days, and that's in terms of the potential to develop the mine here. Obviously, not right now with the health concerns out there but with gold prices generally stronger, what are your thoughts at this point? What would you have to see from here to go into development? I'd appreciate your thoughts. Thank you.

Dr. Thomas S. Kaplan:
Greg, should I begin from a macro standpoint?

Gregory A. Lang:
Sure, and I'll fill in the blanks.

Dr. Thomas S. Kaplan:
Super. Thank you very much, Lucas. Very good to hear your voice. I hope you and your loved ones are doing fine.

To answer your question, we've always said that the time to build Donlin, extrinsic of the studies that are being done and optimizations and drilling and the partners all being ready to go, extrinsic of that, our view, being that we are very bullish on the price of gold, is that time is on our side. We don't have 'use it or lose it' provisions. My sense is that the moment will come in a not dissimilar way to the way that Justice Potter Stewart when answered the question, “How do you define pornography? I can't define it but I know it when I see it." My sense is that we will see that, with NOVAGOLD stock in the 20s and in the 30s, with gold going to or approaching new highs, when Barrick shareholders are clamouring for growth and in safe places.

I think that we are more attuned, perhaps also because of the fact that we keep in close contact with some really, really superb mines, as shareholders, we're very attuned to the fact that this is the kind of thing that you'll know it when you see it. The truth is that with every month that goes by, another jurisdiction becomes more challenging and uninvestable, and unfortunately, I strongly believe that that's a trend that is not going to abate in any way.

Our view is that as NOVAGOLD becomes a go-to stock because of its pure play status with Donlin, you're going to see different scenarios open up, but I want to see the stock price really multiples of where it is. I think that's exactly the scenario that we are going to see. So far this scenario is playing out almost as if I scripted it. The best answer that I can see is we have smart people who are shareholders. We keep in close touch with them. As they say, "The owner lives above the store." We know how to crystallize value. The play is proceeding as it was written. Watch this space.

Greg, do you want to answer on some of the things that we're doing meanwhile?

Gregory A. Lang:
Sure. I think the best thing to do is go back in time two years ago. As we've been conducting our ongoing optimization studies, one of the concepts was building in stages with a smaller, higher grade starter project. About two years ago we drilled 16 holes in tremendous thicknesses of high-grade intercepts. We took that data and really updated our geologic model, and the program that we've just hit the pause button on was really intended—about 80 holes, which is the biggest program at Donlin in many years, was intended to validate the new model with high-grade structural controls and also to look for extensions of high-grade mineralization that would be mined early in the life of the project, both of which would certainly enhance the value. Events have overtaken us, but I'm optimistic that by mid summer, maybe later, we'll resume drilling and answer the questions that we've posed to ourselves that could enhance the value of the project.

At least a focus for this year will be on the drilling and geology of the project. I think everybody knows our partner's CEO, Dr. Bristow, is a geologist with a very keen interest in geology. So, we're all anxious to, when the time is right, we can do so safely, get back to our drilling. So that will really take us through probably to the end of the year, and if not early the next year and that we'll then be in a position to make a decision on updating the feasibility study. In the meantime, we'll continue to wrap up the remaining State permits.

Lucas Pipes:
That's very helpful. I appreciate all of that color. Then just a quick follow-up on the gold market more broadly. Tom, you mentioned gold is still under-owned, under-allocated. Could you expand on that just a little bit? I think that's a point many of us that are a little bit closer to the gold investment space often overlook and forget. Then, just in terms of the pathway from here, obviously the markets broadly have been super choppy and gold miners got a little bit mixed up in that as well. When you think through what the year may have in store, I know it's difficult when markets are so turbulent, but how do you

think gold will navigate its way through that? I would appreciate your perspective on these questions. Thank you.

Dr. Thomas S. Kaplan:

Sure. First of all, gold getting hit at the outset of a financial crisis is not unusual. In fact, it happened during the financial crisis in '08, '09. When it really hit, gold was nearly $700 an ounce. It went to $600. I remember so many people were telling me or asking me, how could that possibly happen, it's not working. I said, "Wait. It is working." "But how can you say that?" I said, "Because it's giving people an exit. There are no bids for what they want to sell. Gold is something you can always find a buyer for. Wait. Watch what happens next. It'll take out the $700s and you'll see."

That's exactly what happened. When I was interviewed—and it's even more the case in silver. But just to give you a sense of the sentiment. In silver, and I said this—it was on the Bloomberg show, what happens is in a financial crisis silver takes it on the chin big time, then it gets really hard hit, then as gold moves up as a monetary metal, silver's monetary status moves it up in sympathy with gold and then because it is "the poor man's gold" it outperforms gold. There's a rhythm to these things.

Gold getting hit initially is normal. When you see gold take out the $1,700, you're going to start to see much greater institutional interest in gold. When it takes out the $1,900 level, the $2,000, $2,100 level, $2,200 level, you're going to see enormous interest in the ETFs and in the mining companies. I would not be surprised in those scenarios to see - and I'm prefacing this with all the cautionary statements that Mélanie referenced at the beginning - I would not be surprised to see NOVAGOLD in the 20s or 30s in those scenarios. As people call up their brokers and say, "Give me an asset in a safe place that I'm not going to get fired for owning and with a management team that you trust." There aren't that many. That's just the sad fact of the industry.

You're going to see the equivalent of Hoover Dam going through a garden hose for those assets that are in a safe place. Because of the small capitalization of the gold mining equities, you're going to see very, very big moves before the generalists start to allocate their money. The truth is people in the financial world often are much happier buying things after they've doubled, tripled or quadrupled. They don't like to buy it when it's down because the implication is what do other people know that they don't? Rising prices beget people saying, "Oh, it's now big enough to be an asset class."

Remember bitcoin? Bitcoin was derided and then at a certain point, why? Only for the reason that the price went up, people said, "Oh, it's now big enough to be investable. Now we can create ETFs. Now we can have an allocation." The only difference was the price went up. Well, bitcoin has its own issues, but one thing about gold, gold is the best brand in the history of the world. It's a bigger brand than Apple. It's a bigger brand than Coca-Cola. When gold goes up and people start to get gold fever - and there's a shareholder who, if he's on, will know I'm talking about him - when people get gold fever, forget it. Everybody wants it. Whether they're in the Andes or they're in Papua New Guinea, it's recognized and everybody in principle wants more of it.

It's the kind of thing that watch as the fundamentals unfold and then the torrent of money coming into something so under owned, both as a metal in terms of its real free float, and in terms of the equities particularly, especially those in jurisdictionally investable areas, it's going to be the generational trade of our lifetimes.

Just watch the space. It's happening. It's coming into play. The jurisdictional issues alone, which nobody talks about, really, I mean, they're only going to become accentuated by the economic cycle that we're in.

As people realize less gold is going to come out, mining projects that people might have thought would be financed will never be financed. Also, that there aren't that many companies which are in safe places, you're going to see the kinds of moves, I'm not talking about something that hasn't been seen, but you're going to see the kinds of moves that you saw in bitcoin. The difference being that gold mines can't be recreated on a computer; they can't be recreated in a garage. You either have the asset when the game of musical chairs ends, or you don't. As I said, even if you find it today, it'll take you 10, 15, 20 years for it to come on to the market.

It's a perfect storm. For those people who are gold bulls, extrinsic of any of the fear factors, I hasten to add once again, you're starting to see the chickens come home to roost, and it will be an amazing sight when the others who haven't been bullish but are persuaded by the Dalios and the Gundlachs and the Mobiuses and the Tudors start to come into the picture. It won’t be because they're listening to me, per se, but they'll be listening to someone else and it will be for many different reasons. And you know what? We'll take it.

Lucas Pipes:
Tom, this is very helpful. I really appreciate all your color. May I add that gold can also not get unchained like bitcoin out of a quantum computer. That will be something interesting to see over the years to come. But I hope everybody stays safe and is healthy and best of luck during this time. Thank you very much.

Dr. Thomas S. Kaplan:
Thank you, Lucas.

Operator:
Once again, if you have a question, please press star, then one on your telephone.

Gregory A. Lang:
Well, I anticipate there are no further questions this morning. I want to thank everybody for taking the time to join us. I hope you and your loved ones stay safe and healthy. This too shall pass. Thank you everyone.

Dr. Thomas S. Kaplan:
Thank you, all.

Operator:
This concludes today's conference call. You may disconnect your lines. Thank you for your participation.

Dr. Thomas S. Kaplan:
Thank you very much.

Operator:
Have a pleasant day.

Dr. Thomas S. Kaplan:
Thank you, Operator.