



NOVAGOLD Resources Inc.

Third Quarter Financial Results

Conference Call and Webcast Transcript

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

Gregory Lang
President and Chief Executive Officer

David Ottewell
Vice President and Chief Financial Officer

Dr. Thomas Kaplan
Chairman of the Board

Operator:

Welcome to the NOVAGOLD Third Quarter Financial Results 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, Corporate Communications. Please go ahead.

Mélanie Hennessey:

Thank you, Claudia.

Good morning, everyone. We are pleased that you have joined us for NOVAGOLD's Third Quarter Financial Results and also 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.

I would like to remind our webcast and call participants 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 our various EDGAR and SEDAR filings and forward-looking disclaimers included in this presentation.

With that, I have the pleasure of introducing Greg Lang. Greg?

Gregory Lang:

Good morning, and thank you, Mélanie.

The Donlin Gold project is in the western part of the Great State of Alaska, as shown on Slide 4, and it's a 50/50 joint venture with Barrick Gold. Mining is an important part of the Alaskan economy and becoming even more important to the State as revenues and unemployment and the other businesses decline. As shown on the map, there are six producing mines and numerous exploration and development projects in the State. In terms of scale, quality and exploration potential, Donlin Gold's attributes far exceed any other gold development project on the horizon. When combined with the Company's excellent partnership with the Native Corporations and co-owner Barrick, the exceptional leverage to a rising gold price, a strong cash position and key federal permits in hand, NOVAGOLD is in a league of its own.

Slide 5 highlights the strategic focus for the year. As COVID-19 positive cases rose in Alaska over the summer, Donlin Gold's stringent safety measures and on-the-ground support allowed us to operate four rigs throughout the quarter, making up for the time we lost with the pandemic-related shutdown earlier in the year.

In August, NOVAGOLD and our partner Barrick reported the initial set of assays from the planned 80-hole, 22,000-meter program, the largest program in over 12 years. The work was carried out safely and finished ahead of schedule, despite the COVID-19 pandemic, which impacted activities on the ground and affected the communities in which we operate.

Other resource industries have been experiencing low- or no-growth in Alaska, and the impact of COVID-19 on the cruise ship and other tourism industries may take years to recover. With the long history of mining and a skilled workforce in Alaska, Donlin Gold offers the opportunity of a future with good paying year-round jobs and training for young people to live closer to home and continue a traditional way of life. We are proud that greater than 80% of our local workforce were Native Alaskans.

On Slide 6, we outline the protocol for health and safety during the COVID pandemic. NOVAGOLD continued to abide by a comprehensive set of policies designed to ensure the safety and well-being of its employees and contractors at its offices in Salt Lake City and Vancouver, as well, in conjunction

with Barrick, at the Donlin Gold office in Anchorage. I expect these precautions will remain in place for the foreseeable future.

The COVID-19 pandemic created significant concern in the Y-K region due to the interdependence of communities and frequent travel within the region. By the time that COVID reached Alaska our Native Corporation partners had already engaged with the community to assist with the needs of the area.

As shown on Slide 7, Donlin Gold partnered with TKC and Tribal councils to coordinate food collection and deliver its supplies to eight Middle Kuskokwim villages. We took the precaution to pause the 2020 program. When we did this, Donlin Gold donated thousands of pounds of food at the camp and coordinated with local tribal administrators to deliver these various goods, such as food and masks, to the communities. Donlin Gold also provided support to the CleanUp GreenUp initiative, a program that we have funded for many years.

The 2020 drill program is shown on Slide 8, with the ACMA and Lewis deposits. Preparations for the drill program started in February, with mobilization of the rigs to the site in March, all before temporarily pausing activities as a precautionary measure due to COVID. The drill program remobilized in late May and we had good productivity and kept all four rigs running throughout the summer. The original plan was for 80 holes, the largest at Donlin in many, many years.

The image on Slide 9 shows the 2020 program core hole locations highlighted in black, with the initial assay results that were published in a joint release with Barrick on August 6, highlighted in yellow. The intercepts reported are encouraging and similar to the drill results reported from the 2017 16-hole drill program, which also encountered higher than anticipated grades. The Donlin team completed the drilling in September, with a total of 85 core holes and about 23,000 meters, exceeding our plans. Since we had the time and the crews going, additional holes were completed.

As a result of COVID-19, the assay labs were understaffed and the drill results are coming in slower than expected. Staffing level seems to be returning to normal and new assay results are starting to come in again. Additional results will be reported by Donlin and the joint owners when they become available.

The initial results that were issued by Donlin Gold in the third quarter reflect the enthusiasm we have every time we drill on the property. As shown on Slide 10, these significant high-grade intervals were intercepted in multiple areas with several of them occurring near surface. As more results are received, our understanding of the ore body and the potential of extensions of the high-grade zones will improve. Once core logging and assay is complete, the newly obtained data should lead the partners to determine the next steps to move forward with updating the Donlin Gold feasibility study.

It was truly a remarkable operational milestone that we were able to complete this work ahead of schedule and without any COVID cases at the Donlin mine site.

Donlin Gold is working with its Native Corporation partners and continues to support the State of Alaska to advance other permits and certificates needed for the project. As you can see on Slide 11, federal permits are in hand and additional key state permits and approvals have also been obtained. In early 2020, the Department of Natural Resources issued final authorization of easements, land leases, land use permits, and material site authorizations for the proposed transportation facilities. There are other state permits that remain outstanding and they're not on the critical path and we will continue to advance them.

The partnership of NOVAGOLD, Barrick and Calista has responded well to the COVID-19 and its impacts on the health of our communities. These longstanding relationships have been strengthened over the last year as we remain united in the common goal of bringing the Donlin Gold project up the value chain. We focused on culture, on safety, and social responsibility to corporate great governance practices by engaging our stakeholders through regular contact, interacting with our investors, and engaging in meaningful ways to promote the health and safety of our people on site and on the river through all the seasons; especially now, Donlin brought much needed support to the local communities. We continue to provide youth assistance in their education and partner to improve the environment, always recognizing the importance of preserving traditional lifestyles.

In the third quarter, Donlin delivered on the supportive community partnerships in the Y-K region, as shown on Slide 13. Health and safety are core values for us. As such, Donlin is working with TKC, the State of Alaska, and the Alaska Native Tribal Health Consortium in our initiative to upgrade as well as improve health and safety standards of water and sewer services in the Kuskokwim area communities.

Our other initiatives include Donlin Gold scholarships, which are granted to students selected by our Native Corporation partners, to benefit youth education in the region. As well, the CleanUp GreenUp initiative continued and included 32 villages who came together to clean-up their local environment. Over the past few years, Backhaul efforts to remove household hazardous waste has been delivered for the health of communities along the river.

As shown on Slide 14, the project established the Donlin Gold Backhaul program in association with other Native partners. It was a very successful program and a total of 45,000 pounds of household hazardous material were collected and shipped out for proper disposal.

Slide 15 presents the life of mine diagram for the Donlin Gold project as one of the largest open-pit mining development undertakings. The time invested upfront to build a solid foundation from which to grow and sustain has been critical to the project's success. Permitting is a long undertaking and not the most interesting segment in the life of a mine. It requires tremendous effort and focus, but it does lay a strong foundation. A typical gold mine project now exceeds 15 years from discovery to development.

Project catalysts for the coming months are complete. The drill program, release assay results, and incorporate all of this data into the latest geologic model, and this will help determine the next steps the partners will choose to make to advance the Donlin Gold project.

The next few slides highlight the attributes of Donlin that led me to join NOVAGOLD after a great, almost 30-year career with Barrick and its predecessor companies.

We saw earlier in the presentation that global grade continues to decline and that mine production is expected to continue with this decrease by 2022. Most major producers have focused on in-situ extensions of mine life. This sets up a supply crunch scenario that the gold industry has never experienced historically. The sharp under investment in exploration and discovery, particularly since 2012, has led us to where we are today. Over the past 10 years, only 25 new deposits have been identified, containing only 150 million ounces of gold, which represents only 7% of what has been

discovered over 30 years, and there have been no major discoveries in the last few years. Projects like Donlin are becoming increasingly valuable.

Now to expand further on Donlin's attributes. As the largest gold development project in its category, the bar chart on Slide 18 shows 13 other development-stage projects and illustrates how truly unique Donlin is when compared to its peer group. Based on the group average of 7.7 million ounces, Donlin's resource is five times greater on average.

Grade is also by far a category that stands out as a characteristic of Donlin. Grade is king. And as shown on Slide 19, it's more than twice the global average for large-scale open-pit deposits. Not only is the global gold production decreasing for most of the major producers, but average grades continue to decline. Grade alone is a positive differentiator for the project's economic viability, as it provides extraordinary resilience through multiple commodity cycles and is a key attribute to ensure the successful development of any great mining operation, especially one blessed with longevity, like Donlin Gold.

Producing more than a million ounces annually, there are only three operating mines in the world today at these levels. Donlin would be in rare company. As currently envisioned, the project would average 1.1 million ounces over its life. For the long-term investor, there's additional value that comes with a multi-decade life span from its start, and it's a jurisdiction where the rule of law is well established.

Calista and TKC have been our partners since 1995, and we have life of mine agreements with both of them. They have been deeply supportive and involved from the start, and we are thankful for their long-term support and commitment.

We support their mandate through the Alaskan Native Claims Settlement Act, as highlighted on Slide 21, to help them develop their land for their economic self-determination. With all of the complexities in many jurisdictions around the world, it's great to be on private land with Native partners.

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

David Ottewell:

Thank you, Greg, and good morning, everyone.

Slide 22 highlights our operating performance. For the third quarter, we reported a net loss of \$12.7 million, \$4.6 million higher than the prior-year quarter. The net loss increased primarily due to the drilling program at Donlin Gold with higher corporate, general, and administrative expenses and foreign exchange movements also contributing to the increase.

A reduction in interest rates also resulted in lower interest income on term deposits and in lower interest expense on the promissory note payable to Barrick.

Third quarter 2020 cash flows are highlighted on Slide 23. In the third quarter, we spent \$8 million, \$3.9 million higher than the prior-year quarter. Again, the net increase in spending was primarily due to the drilling program at Donlin Gold, along with lower interest income and higher general and administrative costs. We ended the quarter with cash and term deposits of \$126.3 million.

On Slide 24, we note our robust treasury. In addition to our cash and term deposits of \$126 million, we have \$75 million due next summer and an additional \$25 million two years later as a result of our sale of our share of the Galore Creek project to Newmont. A further contingency payment of \$75 million becomes due if the owners approve construction of the Galore Creek project.

We continue to anticipate spending approximately \$31 million in 2020, which includes \$20 million to fund our share of expenditures at the Donlin Gold project for the drilling program, permitting, and community engagement, and \$11 million for corporate, general and administrative cost.

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

Dr. Thomas Kaplan:

Thank you. Thank you, Dave.

Actually, I'm going to spend a little bit of time today on explaining why as someone who 99% of the time is on the side of the table of the investors on this conference call, why it is that I believe that

NOVAGOLD will become one of the very few go-to stocks in this space and has the potential to multiply many times in value from here.

I know whereof I speak. I have had multiple occasions where I've been able to be lucky enough to make 100 times my money. The common denominator in all those cases was being able to ride great assets, take them up the value chain.

Some of those assets were absolute category killers, some of the best in the world, but none of them could I describe as being truly unique. Now, what does it mean for me to say that I believe that Donlin is unique? I often ask the question of investors and analysts the following: what other gold development-stage assets in the gold industry today compares in its combination of enormous size? You've heard Greg describe it. I don't think there's ever been a gold deposit that began production with 40-plus million ounces – high-grade for an open-pit gold mine. When I first got into Donlin, in 2008/2009, the industry grade was almost double where it is today. For a large scale, open-pit operation, Donlin's grade of plus two to three grams of gold is absolutely extraordinary. And what that means is that, *ceteris paribus*, if you've got one mine producing at a gram of gold, another mine producing two grams of gold, all other things being equal, the cash cost per ounce is going to be half for the higher grade mine. That's just simple arithmetic.

The exploration potential on Donlin is absolutely extraordinary. I think that there are very few gold deposits in the world where ounces can be added to resources immediately adjacent to the pit, which holds reserves so cheaply and so readily. But we'll get to that in a few minutes because I do want to spend some time talking about why we believe that Donlin has the potential to be perhaps the second most famous gold producing area in the United States today, after Nevada.

The production profile, as you've also seen, means that Donlin will be in either one or two phases, depending on how the optimizations end up working and gold prices and all those other things, potentially the largest pure gold producing mine in the world.

For those of us who like to be able to focus on what we call the monetary metals, gold and silver, as opposed to base metals, this is a huge distinction. It would already be one of the largest gold mines in the world, even if copper were added, such as at Grasberg, but this would be pure gold.

The mine life will be measured in decades. That means that it is not just a Tier-One asset, but it is a company-making asset. Historically, great companies are birthed out of assets that can last through multiple cycles. Donlin, even if we never added another ounce, would already be going on for decades.

Jurisdiction, well, the mantra of you want to be in places or with assets that give you great leverage in jurisdictions that will allow you to keep the fruits of that leverage. Anyone who's been a shareholder of NOVAGOLD, anyone who's followed me since 2012, when basically I announced that I was leaving almost the entirety of the developing world in order to focus on jurisdictions where I could sleep well at night, will understand that for us Donlin represents the Holy Grail. It represents the best-in-breed in terms of size, grade, exploration potential, production profile, mine life. But more than that, it's located in a place that when you go to sleep at night, you know that when you wake up in the morning, what you thought you owned, you still own. There are no insurgents, you haven't been salami strategized into losing your assets *de facto* or through *de jure* nationalization of which I think we're going to see much, much more in the precious metals space.

So what we have is we have what we believe to be half of the greatest gold development story in the world, and bless Barrack shareholders, they've got the other half. But more than that, it's not just that it's a Tier-One potential asset, it is in a Tier-One jurisdiction.

So, let's continue with why that's important. Sadly, the mining industry is one in which location, location, location is ultimately the existential factor. We're not in a business where if you find out that wages are soaring or land prices are soaring, you can go to a lower wage jurisdiction or a place where they give you subsidies.

What you have is what you've got. And what you've got is a hole in the ground, where you live by the generosity of strangers, who essentially can tell you to leave at any time, or maybe more subtly encourage you to leave or give up more of the asset. I know whereof I speak. I made my first fortune in Bolivia, the second fortune in Zimbabwe in South Africa in platinum. I sold the Kibali mine or project to mark Bristow in Congo. So, I'm very, very familiar with these places. And my holdings used to span everywhere from Peru to Pakistan, from Mauritania to Mongolia.

In 2012, I pulled my team out. We go to only those places where the rule of law is not a novelty item. And that led us primarily to North America and more recently, as well, to Australia. But here's the thing. The top 10 gold producing operations in the world, of those top 10, only three operations produce greater than a million ounces. One of those is in North America, in Nevada. But the next one, we believe, is going to be in Alaska, maybe Sukhoi Log in Russia. But I don't think that many of the people on this call are going to be running into Russia so quickly.

The fact is that when you talk about a Tier-One asset, when you talk about a category killer asset, there's no question that we are in that league, and more importantly, we're in the right place to make money and to keep it.

The next slide is one that I'm going to dwell on a little bit longer, because I realized two quarters ago, I sort of made a passing comment in our conference call with investors, where I mentioned that Warren Buffett had played a role, unintentionally on his part I'm sure, in my career, and that when I took my first company public in 1997, it wasn't a great time for mining companies. But the week that I went public, I got really lucky, not for the first time. Warren Buffett was revealed to have purchased, I believe, about 130 million ounces of silver. In one stroke, Warren Buffett de-toxified silver in a way that allowed it to be safe for institutional investors to go back into the water. And in so doing, he benefited some of the people who were out there building silver companies like myself, like Ross Beaty, Bob Quartermain. It was a boost to us. And ever since then, silver has been considered to be an investable, institutional quality asset.

Well, that got picked up by a reporter for *Business Insider* named Theron, a really nice guy and he called me up, he covers Warren Buffett, and he said, could you tell me more about the story? I said, do you think it's interesting? And he said, yes.

I told him the story. And he wrote a very lovely piece in *Business Insider*, where I basically acknowledged that I owed a lot to Warren Buffett; and I've had the opportunity, several years later, to thank Warren personally, not that he had any idea, but I explained to him what had happened and being the charming guy as he is, he said, well, good for you, that's great.

But when I was interviewed, Theron asked me again, he said, what do you think that Warren Buffett—what do you think the chances are that he'll go into gold? And I said, well, does lightning really strike twice? Maybe. But I just have to assume that he won't, because he's so invested in the idea that gold—to quote John Maynard Keynes, is “a barbarous relic,” it makes no sense to him. And I've heard this from Bill Gates when he and I talked about gold years later and I said, but it would be wonderful if he did. Well, lo and behold, last quarter, one of the only stocks, I think maybe the only stock that Warren Buffett bought was Barrick, and this was obviously great kudos to Mark Bristow and in his mission to make Barrick a key stock for generalists. You couldn't have better validation.

The funny part was, as I spoke to the journalist again, the common denominator in both of those stories was actually me. And between the silver when I went public and Warren Buffett buying it at the same time, and Warren Buffett or his lieutenants, most likely, casting a spotlight on Barrick, this, as I told, the reporter was likely going to make me even more money because of NOVAGOLD than what happened with the silver.

The idea being that the more that people looked at Barrick's portfolio, the more that people examine the asset, the more focus there is on what we believe to be one of the greatest gold assets in the world. That being, of course, Donlin.

And I firmly believe that as investors and more generalists do look at Barrick, that a number of them will also take a look at NOVAGOLD, and some of them will say, wow, I wonder what that's all about, and they'll look us up. They'll take a look at our shareholder base and they'll say, wow, I know John Paulson, or Will Danoff, or Jacob Rothschild, or the Agnells, or BlackRock, or First Eagle. I'm going to give them a call and find out what they think.

And I do believe that they will be told, as far as we're concerned, Donlin is probably the best gold development story in the world today. There are two ways to buy it, a pure play through NOVAGOLD and also, and if you want to be able to be in multiple jurisdictions with operating mines and a great CEO, there's also Mark Bristow, and Barrick as well. And my attitude has always been whatever's good for Mark. He's an old friend, a really good friend, whatever is good for Barrick is going to be good for NOVAGOLD. After all, as NOVAGOLD goes up in the marketplace, Barrick is now in a position to tell all the analysts who follow it, look, we've got the same thing as NOVAGOLD, they have a little

cash, but other than that, it's about Donlin, we should be able to get that added to our NAV. So, if we go up, it's good for Barrick. If on the other hand, people invest in Barrick with or without investing in NOVAGOLD, it just gives more positive reinforcement. It's called a virtuous circle. So, one of the things I realized when we speak to investors, is more and more, because there's so much more interest and we're getting new investors looking at the story, they ask the question, can you explain the relationship with Barrick from where you can talk about it to where we are today? And when I answered that question a couple of times, I realized, you know what, it's sort of like the Buffet anecdote, there's a lot of great stuff for our investors, whether they've been with us for a long time and maybe not heard the story, or new investors who clearly are coming into the NOVAGOLD story, how we got from where we are or where we were with Barrick, to where we are today, because this is extremely important. Everybody always asks, what about Barrick? And our attitude has always been, Barrick will come around to seeing things as we do, you need a higher gold price. But if someone wants growth, they've got to look at Donlin.

Now, it's true that there's not been any phenomenon as bullish for us as a company as NOVAGOLD than Mark Bristow coming into the Barrick story. Put aside that he's an old friend of mine, Mark is an unbelievably accomplished and talented operator. He's also a phenomenal geologist, and more importantly, he is a very, very hands-on kind of guy. So, for the first time since 2009, when I got into the story, a CEO from Barrick has gone to visit Donlin. And I think it's fair to say he liked what he saw and the truth is that we now see Barrick speaking more about Donlin and even describing it – I don't want to cherry pick, but you can always go back into the transcript – as a key asset and a nice, new gold opportunity.

Well, this is part of last quarter's wonderful sea change in events; we had great drill results, admittedly only 10%, so, we'll see what the others have to bring forward. We had Barrick putting a light on—or Buffett putting a light on Barrick, and we had Barrick being willing to speak about Donlin in a way that they haven't in public.

Now, this is why I think the next part of the story is interesting, because I don't think there's any reason why I can't speak about things that Barrick used to tell us in private. So, at least you will understand the context of why I believe that the reserves or the resources at Donlin can grow so much bigger, and

why I believe that Donlin will be perceived by investors, which will make it a go-to stock, as the new Nevada or the new Carlin.

Even Mark will acknowledge that prior to his coming into the Barrick story, we have turned Donlin into a global brand. That is deliberate. We are building a global brand in Donlin; we do believe that it has the potential to be on par with Nevada, if more work is done on it.

Let's go back to the beginning. I watched NOVAGOLD go from a \$0.50 stock around the turn of the century to \$15, \$16 when it was the object of a hostile takeover attempt by Barrick. I did not own a share of stock on the way up, sadly. I watched the shareholders of NOVAGOLD, of which obviously I wasn't one, reject that takeover offer and the stock popped into the \$20s afterwards. Extraordinary story. Then as a consequence of some self-inflicted wounds and you had superimposed onto that the financial crisis, the stock did a complete round trip and it went back down to \$0.50, \$1. And that's when we came into the story as The Electrum Group, which is my family holding company.

At that time, I was bullish on only gold. We had sold our energy company in 2007, which was the fastest growing privately held natural gas producer, in order to pivot into gold and to re-enter silver. When NOVAGOLD made this trip, and I had coveted Donlin for years and years and years, I decided to buy the Company.

Fortunately, one of my key lieutenants who's been with me ever since and hopefully will outlive me, Igor Levental – that would be the male part of the power couple in mining of Jessica and Igor Levental, our President – said to me, I think you should reconsider, boss. You're not going to get away with it. And I said, why? A couple of hundred million dollars, I have it. It was December of 2007. The world was not really buying things—December 2008, excuse me. And he said, well, look, you may be able to buy it at \$2, but Barrick is really, really, really pissed off that they lost this, there's a lot of resentment about this. Once they get over the shell shock of what's going on, they'll have plenty of time to be able to walk you up dollar for dollar and at some point you'll fold, in which case you have nothing. So, better to save the Company, which was about to go into bankruptcy, and become the largest shareholder of the Company and take it from there. Better to own 40% of something fabulous than zero percent because it's okay to be greedy, but not ridiculously greedy. That was great advice, for which I am forever indebted to Igor for having that sensibility.

We bought it, and the stock really was something that institutional investors could not have bought. They had no balance sheet. They had no credibility on The Street. They had environmental issues on an asset called Rock Creek that probably no one's ever heard of by now because we got rid of it, shareholder lawsuits, all kinds of stuff. Management was very unloved, needless to say, but we bought it and we turned all of those things around, and the stock multiplied.

Now, around that time, I reached out to Barrick, I had no bad blood with Barrick. To the contrary, any experience I'd ever had with Barrick when Randall Oliphant was there was very, very pleasant and professional. And I asked them whether we could have a meeting. And they said, sure. They had expectations of what the meeting was about. I had different expectations.

Now, let me take one step backwards. When we did the deal with NOVAGOLD, I was afraid that we wouldn't have enough time to get the deal done, and I gave my team 48 hours to do the due diligence on a company that was like catching a falling knife, to which my team basically said, that's not really possible. And I said, here's the analogy which I'd like to give you. There are two guys walking in the woods. They encounter a bear, one of them starts to run, and the other one leans over, changes his hiking boots into tennis shoes. And the guy who's running looks back and says, why aren't you running? And he goes, I don't think you understand: I don't have to outrun the bear, I have to outrun you. I said I don't care what NOVAGOLD has to say about Donlin, I just care about Barrick. Barrick doesn't lie. And if Barrick basically is confirming that Donlin is real, I said, that's all that I need to know and I'm willing to take the risk.

Subsequent to our intervention, I sent my chief geologist, Dr. Larry Buchanan, a very, very, very famous and renowned geologist, to visit Donlin. And basically what I said was after the fact, just tell me do you think it's there? He visited Donlin, he came back. And I asked him—I actually wrote this a couple of years ago in the annual report—but it bears repeating for what's going to happen next. And I asked him, I said, so are the 40—I said, is it 40 million ounces? And he said, no. I said is the gold there? He said, yes. And I said then what's it about? And he said I see 80-to-100 million ounces, just along strike. And this was after we already owned it. So, that was obviously a very, very big moment for me, because Larry had discovered the most important silver discovery of our generation in Bolivia, for me, and so Larry's credibility was enormous, and it continues to the present day. He may have

found something almost that big in Mexico again, but be that as it may. When I heard that, I decided I'd go to Barrick and try to buy the other half. When I went to visit Barrick I met with Aaron Regent, I took along with me as a sidekick a former ambassador, who also happens to be a lawyer, and I met with Aaron and someone else whose name I will not mention, because I haven't discussed talking about this anecdote and he's a very nice guy and we've subsequently done very nice business together. But, for reasons which you'll understand, I'm not going to say his name.

In any event, when we sat down from each other, Aaron, who is a true gentleman, and a man of incredible character and integrity, and also with an absolutely delightful personality, said, well, what can we do for you? And I said, look, I know this is really bad blood between Barrick and NOVAGOLD, you hate the CEO, you never want to say anything nice about it, because you resent the fact that you lost the hostile takeover bid. So, you won't do anything to promote the asset. You basically only do what the minimum you have to do to advance the project because you still can't forgive NOVAGOLD, and you don't want to give NOVAGOLD an opportunity to hit you over the head and say, you see we were right that we didn't sell it to you because it's so much bigger. I said, why don't you just let me buy it from you?

Well, Aaron, being a gentleman, said that—basically, he said, I didn't see that one coming. I thought you were coming to sell the other half of Donlin to us. And I said, no, I don't want to sell the other half; I want to buy you out. Okay. The fellow next to him nearly lunged across the table. And the best analogy for that is *The Godfather*. If any of you will recall when Michael Corleone goes to Vegas and tells Moe Greene that he wants to buy him out. And Moe Greene basically says, you want to buy me out? I buy you out. And then the language gets extremely colorful, and I love to do that. But I don't think I should do that on a conference call.

The point being that Aaron, who had not been there during the hostile takeover days, wasn't as conversant on the bad blood with Barrick. But the other person was, and he said, you don't buy us out, we buy you out. Why would we sell the other half of Donlin when we know that all we have to do is to continue drilling there and that—just that drilling alone—would give us some another Kinross.

So, this was—well, my basic response was, I take it that you're rejecting the offer. But I have to say that I am going to leave feeling even more convinced that we did the right thing. And the bottom-line

was relations started to improve because Aaron Regent is a really, really decent guy, smart and of good nature, which is why I told him as we subsequently became friends that he'd never survive at Barrick, because the culture at Barrick is sort of like Caligula meets Albert Anastasia on a good day, a very, very praetorian culture, and not the kind of thing for someone with Aaron's integrity.

Be that as it may, relations improved. Now, one of the things that I've always wondered, in my mind – because I'm a historian by background, I'm not an engineer, I'm not a geologist – is the great What If of gold mining in that era was, What if Barrick had paid an extra buck and bought NOVAGOLD? Well, these are called counterfactual, pure speculation, obviously. But it's interesting because it's entirely possible; I know that they would have put 10 drill rigs on the property. And I personally believe that they might very well have, you know, nine-digit gold ounces there if they'd done that. I also think they would have drilled all over the property, because as we say in the mining industry, if you're going out in search of elephants, go to elephant country. It certainly worked for me in Bolivia, in Africa, in Texas. Basically, everywhere I've ever gone, we found districts, that's what we were looking on, or looking for.

Now, in the case of Barrick, they didn't win the bid, and in order to be able to grow as fast as they wanted to, they decided to build Pascua Lama, which a lot of people would say, should never have been attempted; and in order to be able to get more copper, they went after Equinox.

I should mention at that time, NOVAGOLD had half or 70%, I don't remember, of what will I believe one day be the largest and lowest cost producer of copper in Canada. So, they might not have needed Equinox, they might not have needed Pascua Lama; and Barrick, which was the only AAA-rated company in the gold industry at that time, certainly of any size, would be a very, very different place. It was such a high-quality story that they could afford to make one monumental screw up, but two was just about too much, and still they managed to survive it. That is endurance and sustainability.

Suffice to say that as things moved on and we became more friendly, I met Greg Lang. Greg was the President of Barrick, North America. Greg at that time was responsible for more production of gold than Goldcorp. And he was President for eight years, and the entirety of his career had been with Barrick or predecessor companies that had been acquired by Barrick. So, this was not someone who we jokingly say is promiscuous and would jump from company to company.

We found a very, very common bond, in terms of how we both viewed Donlin – he as an engineer and a man who's been in mining projects all over the world – and had come to the conclusion that this will be the greatest gold mine—new gold mine—in the world. I saw it the same way as an investor. And he agreed to become CEO of the Company, I agreed to become Chairman. He went to Aaron, and Aaron called me up and said that he was going to try to keep Greg and I said, why don't we just agree that whatever Greg decides to do, we honour his decision and may the best man win. Okay. Greg and I came on board at NOVAGOLD, and we set about changing the entire Company, selling off the problem assets, spinning off things that were not related to Donlin, basically repairing the balance sheet, etc., etc., and every promise that we made, we kept.

Now, as time passed, and unfortunately my prediction regarding Aaron proved to be true and Aaron was ousted in true Roman fashion and replaced by Jamie Sokalsky, another very, very nice guy, Barrick was going through a lot of trials and tribulations, and one of the things that they did was in order to show that they would be exerting capital discipline in the Pascua Lama era was basically to throw Donlin under the bus.

Now, that does not mean that they weren't going to continue taking the thing along the value chain, Barrick never ever slowed anything down. But it takes time to permit, and so we continued meandering along. We called it the tortoise and the hare, because other projects that people said would be ahead of the line with us actually fell by the wayside for jurisdictional risk or for technical issues. And now it looks like the tortoise at some point in the future, when the owners decide, is going to cross the finish line and in a very big, big, dramatic way with crowds cheering.

In any event, we decided life is long, we're not going to make an issue, Barrick's got bigger problems than we do, and we decided we'll be good partners and just take a stiff upper lip.

Eventually, Jamie was replaced; John Thornton became the chairman of Barrick and the Co-CEOs, Co-Presidents were Jim Gowans and Kelvin Dushnisky. Around this time, we started to hear from analysts that Barrick in their talks to analysts were talking about Donlin. This was a first for us and we were surprised. I reached out to John Thornton and I said, can Greg and I come to Toronto to see you.

And so Greg and I made our way to Toronto, we sat down with John and we said, we've heard you've been saying very nice things about Donlin. Something we should know? And John looked at Jim Gowans and he said, look, when I came into the picture, I asked him if we were going to grow, where would we grow? What do we have that's something that we can really sink our teeth into? And Jim Gowans said, I think Donlin is one of the best gold projects in the world. And John said, wow, I didn't realize that.

John and I got along really well and relations with Barrick improved markedly. Not just because of that, but also the fact that we had so much Barrick DNA in our Management team - Greg Lang, of course, Richard Williams, who built Pueblo Viejo in the Dominican Republic, a number of people, Dave Deisley, who were ex-Barrick. So, we had a lot, we still do, a lot of Barrick DNA. And that was really, really helpful.

Now, the mutual respect extended all the way until Mark Bristow came into the story. As I said, I call Mark the White Swan. And it's not just because he says things that I think are not just nice, but also accurate. I do believe that Donlin is a key asset for Barrick. I love the fact that they see it as a new gold opportunity. The Barrick and the NOVAGOLD teams work absolutely beautifully. And for me, my experience with Mark, going back to Africa in platinum, when I asked him to join the Board, and he did, going back to the Kibali transaction, and just the fact that we're friends, this is a really, really wonderful thing. But the most important thing is this: Mark is a pro. Mark has a very, very linear Cartesian view on how you take the geology, turn it into the right geometry, make the perfect mine plan and the like. And that's what we're doing now.

We've got everybody's attention, and we're doing it steadily but surely. I never ask him, when are we going to go into production? And I know that it sounds funny, but I know that it will. If you're a bull on gold and you want to be able to have a producer, a big producer that will go on for decades, Donlin is the best story in the world. I am a bull on gold. Ergo, for me it's just a function of when the gold price is higher, when people want growth, where are they going to turn. It's very likely it's going to be in the United States or Canada, or Australia, and we've got the tiger by the tail. It really is a Holy Grail.

And so when I talk about the next big discovery being potentially at Donlin, it's two-fold. Number one, the Donlin gold deposit where we have the Reserves is only three kilometers of what we already

know, is an eight kilometer mineralized trend. Hence, Larry Buchanan's comment, which may or may not ever come to pass. It's the ultimate forward-looking statement. But I believe he's right. But more than that, that eight kilometers only represents 5% of the total land package that we and Barrick control.

When I say the next Donlin could be a Donlin, it's because there is the entire possibility, conjecture, that we could deal with a district. Even if it didn't turn out to be a district and there was no other Donlin there, you're still dealing with something that has the potential to have enough high-grade Reserves really to be on par with Nevada, and that would be good enough for me.

And so with that, we can go to the next slide.

I think I've covered this point. But the truth is that for all of the reasons which I've outlined, the advent of Warren Buffett anointing Barrick, and the spotlight that that will put on Barrick's assets, has got to be a very, very good thing for us. But what's also so important for everyone to understand is that Warren Buffett coming into the gold story has effectively detoxified gold; he's made it safe for anyone interested in gold to be looking at the gold narrative.

Now, we've been talking about this for a long time and I've been commenting that one of the beautiful things about gold – and we can go to the next slide – is that whether it's Ray Dalio, or whether it is Jeff Gundlach, or Paul Tudor Jones or Ken Rogoff or Mark Mobius, you have so many different boldface names coming into what is still one of the most under-owned financial trades in the world. We haven't even—we're barely in the first inning of what we can see, if I'm right, that gold is going to embark, with some volatility – to shake out the weak hands; which is what it's supposed to do – on another decade-long leg in a secular bull market. But here we are with people like Warren Buffett, people like Ray Dalio looking at these things for the first time and looking at them with fresh eyes. Next slide.

An incredible example of this was the piece that was written by Mohamed El-Erian – who I know – that was on the front page of the New York Times, and he basically described how he was so surprised that gold is evolving into a must-have asset, and gives all the reasons why different people are looking at gold for different reasons. Basically, putting into those words what I've said for a long time is that

investors will have a buffet from which to choose how they wish to justify to their investment committee adding an allocation in gold.

Suffice to say that I'm happy to answer questions on where the gold market is, but I think I've been doing that long enough with our shareholders that you really do understand that we think we do understand what's going on with the gold market. If I'm right, gold is headed to at least \$3,000 to \$5,000 as an equilibrium level. And as I've said before, but I don't like to discredit myself by being too out there, I truly do believe that the chart for gold will one day look very similar to the charts of the Dow, after the Dow broke through 1,000 in the early 1980s - and draw any conclusion that you wish from that very forward-looking statement. Next slide.

Suffice to say that we are in a long-term bull market for gold. The demand drivers are so numerous that it staggers the imagination. From asset diversification - God knows that has been reinforced and validated this year. Safe haven appeal. Ditto. Currency debasement protection. Ditto. Central bank purchasing. Ditto. They are the ultimate insider buyers. They pulled back a little bit because prices are higher. My guess is they will start to go back in again, as more QE means that they want to be able to own the assets that they know has no counterparty risk.

There are people who are buying gold to protect against a depression. There are people who are buying gold to protect against runaway inflation. There are some who say you need one or the other. The reality is gold responds very well to both. And you've got emerging market demand. Who better than Ken Rogoff or Mark Mobius to know about the emerging markets; and for Mark Mobius to say, which he's been saying for hundreds and hundreds of dollars, buy gold at any price - and obviously, correctly. Then you have the supply pressures, the recovery rates collapsing, exploration not yielding anything, decreasing ore grades, the majors are burning through their reserves faster than they can replace them. As the grades go down, the production costs go higher. The jurisdictional risk has meant that things that people thought might be developed, won't be developed. For all of these reasons, you're seeing a perfect storm in gold. That means that a prudent man has to have some gold. And if they don't now, they ultimately will.

Well, here's the thing: Even a 1% allocation of gold is going to lead to gold multiplying, because most of the gold in the world is in extremely sticky hands, who have had nothing but positive reinforcement

for owning it and protecting their livelihood. Whether it's Indians or whether it's Chinese, these are very much gold and silver cultures, they understand it, they will continue to buy it over the long term at a time when the west is seeing it as an asset class again that has been revalidated, not only by the macro circumstances, but by really smart money that has given the really, really big money out there the opportunity to take a look at gold. And as we know, the really, really, really big money really starts to look at things after they've gone up dramatically in price. At that point, it starts to look interesting. You couldn't give Bitcoin away at a few hundred bucks. But when it got to over \$10,000, people were talking about ETFs. Welcome to that curiosity of the financial world, which is that if something gets more expensive, it starts to look more beautiful and desirable and that's also applicable to other areas of life. Next.

For me, and for our investors, we want the leverage to that higher gold price. But we want it in a place that will allow us to keep it that won't turn around and say, hey, you're making a windfall, we want part of that. The leverage provided by NOVAGOLD and by Donlin, for us and for Barrick, is absolutely gorgeous. I do believe that at \$2,000 gold, this is a \$20 billion asset. We haven't even spoken about optimization. This is not adding potentially more reserves, or any other upside. That's just merely a function of the fact that I think that very, very scarce North American assets of high quality, size that moves the needle, will be valued using 0% discount rates, especially if they have any exploration potential. And I don't believe anyone has more exploration potential than Donlin. Next.

One of the beautiful things, as I mentioned about NOVAGOLD is that in addition to having a lot of cash where we don't need to raise more money, we have a really, really, really interesting and smart investor base. And as more people are asking for brokers to give them exposure to assets, which are located in places that potentially they'd be willing to take their kids, Alaska with whale watching and salmon fishing falls into that category; Australia, the Great Barrier Reef; Nevada, you've got gambling, you've got all the other fun things for the family in different places.

You'd be surprised, but the premium rating will be given for those assets which are in places where investors' ICs [Investment Committees] would say if you're going to go on a mine tour, are you willing to go there? And definitely Donlin falls within that category. But more than that, when they look at our shareholder base, what they're going to see is very, very smart money. And some of those new investors are already starting to call up these people and say, hey, can you tell us more about this?

And pretty much what they're hearing is that Donlin is unique and this is a pure play on what will be hopefully, the largest pure gold mine in the world over the course of time. Next.

Well, as all of you know, we had an incident with short selling earlier in the year. Up until that time, we were outperforming by a wide margin, the GDX, the GDXJ, not to mention other large individual companies. We've put that share performance behind us—I mean, or the downdraft behind us. And indeed, what we do believe is in the not too distant future, we're going to start seeing NOVAGOLD reap the fruits of the great quarter that we've had, and continue to trade at a premium.

I can certainly tell you that the Management team and I are absolutely dedicated and committed to making that happen. We believe we should trade at a premium. And we believe that the market will reward us for all of the factors that go into making Donlin unique. Next.

And so with that, I don't need to cover all of these things. But the simple part about it is this: as an investor in the space, I cannot find anything that gives me the attributes in combination that NOVAGOLD gives me. And that's because of the asset. So, I didn't find it, I can't take credit for it. But the fact is, it is a brilliant asset in the best part of the world. And I do believe that you will see us reap the rewards from our investor base, analyst base, and all other ways that will allow us to achieve the objectives that we set out for us.

Thank you very much.

Operator:

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 Securities. Please go ahead.

Lucas Pipes:

Hi. Good afternoon, everybody. And thank you Tom for the description. It's always really interesting to hear the history of this truly unique asset. So, I appreciate that.

I wanted to ask a little bit more about the initial drill assays; and you noted in the presentation that they exceeded model expectations with multiple significant distinct high-grade intervals. And I wanted to ask, could you maybe frame the exceptional results there? And in what areas—specifically on what metrics did they exceed your expectations? Thank you.

Gregory Lang:

Good morning. I'll take that question.

Our drill program has two objectives this year: one, validate the new model, that's about half of the holes; and the other is to look for extensions to the known high-grade mineralization we would mine early in the project's life. And you know a couple of those holes where the grade came in relatively shallow, around 30, 40 meters. I think that was exactly what we were looking for, was extensions to the high grade. The intrusive structures that carry the grade come up like a series of fingers through the sediment rock around them. And as our modeling focused on the intrusives and their high-grade nature, we really saw the opportunity that, hey, with smaller equipment, you can mine these discretely and selectively and enhance the grade.

So to answer your question, we have a model, and as results come in, we compare them to anticipated intervals. And across the board, what I'd say we're seeing is less thickness, but it's substantially higher grade, which is exactly what we were hoping to find through this program.

And we're due to release the next set of results later this month, and we continue to be really encouraged by what we see. And there is a very real opportunity for us to add value by drilling.

Lucas Pipes:

Thank you. Thank you, Greg. And if I heard you right there you said additional results should be forthcoming later this month.

Gregory Lang:

That is correct. Assay turnaround times have been slow this year related to staffing issues at the laboratories, caused by COVID. But we're working our way through that. We're starting to get more coming in every day. Look for something—an update later in the month.

Lucas Pipes:

Greg, will you be able to share what percent of the drill program would be released at that point?

Gregory Lang:

Lucas, we're getting assays in all the time. The initial results we released were about 10% of the program and we anticipate maybe the next 20% of the drilling with the balance to follow later in the year.

Lucas Pipes:

Very helpful. Thanks. Thank you, Greg. And then one more question for me today. Can you speak a little bit about the alignment between Barrick and NOVAGOLD at this time, in regards to the development of Donlin? And what is the risk, for example, that Barrick would like to go forward with the Donlin development but NOVAGOLD isn't or vice versa? Would appreciate any thoughts on that framework.

Dr. Thomas Kaplan:

Greg, do you want me to take it?

Gregory Lang:

Why don't you start Tom? And I'll fill in any gaps if needed?

Dr. Thomas Kaplan:

Sure. Look, from an operational standpoint, Greg will provide his answer. From the very bird's eye view, we have never been more aligned with Barrick than we are today. The fact that we've just completed the biggest drill program in the 12 years in which I've been in the Company, or as an investor in the Company, is a very big statement. The fact that Mark has been out there and then approved this drill program. Mark has taken the attitude, as I said; he has described it as a key asset, a nice clean, gold opportunity, new opportunity. All of these things are extremely heartwarming, and

they indicate that we are—where Donlin is being viewed, for a lot of good reasons, the permits and everything else as being in a very different class than it was 12 years ago.

The methodical way in which Randgold works on being able to get the geometry down just right on the deposit in order to plan the optimal throughput, and therefore to be able to tell us and everyone else what the CapEx will be, this is exactly the way that smart, prudent operators take what will be the largest gold mine, pure gold mine in the world, ultimately, up the value chain. There is complete and utter alignment. As to when it goes into production, it takes two to tango. Our attitude is, Barrick has more need in effect for production as a large-scale gold producer. And when they decide that this falls into that category and want to take it forward, we have zero doubt that we have access to whatever capital we need to meet our needs.

And I think it's inevitable. The only question is when; and that will be done when Mark views it as being optimal for his shareholders and when we do for ours. I have no doubt that we will be in sync at that time. Everything that we've seen since the Randgold-Barrick merger has confirmed that this really is a game-changing event for us.

We have people in charge who really love to build great projects, they know how to do it right. And candidly, when the time comes, I don't think there'll be any stronger promoters of the asset than they are. We're one voice, but Barrick is the 800-pound gorilla in the mining industry. And when they put Donlin on the map, it's going to be transformative. Let them do it right. They're taking ownership of the story after their merger. As far as we're concerned, it couldn't be going better. Greg?

Gregory Lang:

All right. Well, thank you for that Tom. Lucas, I'll tell you, great drill results are exciting in any company. And I think that's especially true with a geologic-focused company and CEO like Mark. To answer your question, day-to-day interactions are very common right now with the geologists and the technical people as the results come in. And it's really exciting to see that Barrick brings a lot to the party in that regard. And Catherine Raw, who is their Senior Executive with responsibility for North American Operations, is the Chairman of Donlin Gold this year. And she's also very involved. So, yes, I would say that Barrick is—probably this is as great an involvement as they've had since the preparation of the feasibility study back in 2010 and '11. Nice to see. Very capable people there.

Lucas Pipes:

Great. Great. Tom and Greg, very helpful comments, I really appreciate the perspectives. And continued best of luck. Thank you.

Dr. Thomas Kaplan:

Thank you, Lucas.

Mélanie Hennessey:

We have one more question coming online. And I'll just read it out.

Is it fair to say that at the current price, NG stock is a bet on a future rise in the gold price and additional exploration potential at Donlin?

Dr. Thomas Kaplan:

Short answer...

Gregory Lang:

Tom, do you want to...

Dr. Thomas Kaplan:

No. Yes. The short answer is no. The longer answer is hell no. That's a thing I picked up in Texas. The reality is, we view NOVAGOLD as substantially undervalued in the marketplace. We don't have any doubt that we're going to regain the premium rating that we had. But if you look at where we should be, in our view, if we had not been the result or the victim of a securities fraud, then I think we would have seen the stock already in the high teens, 20s, maybe pulling back a bit with the rest of the industry. But our history over the last year certainly, since permitting and all of those good things, is that we outperform the indexes, and so by that measure catching up, and in fact now surpassing, where we were when the short report came out, is an indication that that's being put behind us, because, candidly, there was no merit to it.

But we want to see the stock regain the premium rating that it should have. Adding reserve and higher gold price, that will just put fuel on the fire. But I've always said even when the stock was with a three-handle or a four-handle that we find ourselves going into the 20s and considerably beyond that. Everything that's happened since we made those statements, obviously forward-looking, but since we made those statements, we've only had good reaffirmation of the reasons why we made those statements.

And so that's the long answer of saying, we are not—the stock price does not reflect today where we think it really should be. Higher gold prices, obviously, and more exploration, that's all going to only be icing on the cake.

Mélanie Hennessey:

Thank you, Tom. There are no further questions. I hand the call back over to Greg for closing remarks.

Gregory Lang:

Well, thank you, Mélanie. It's already been a fairly lengthy call. Thank you everyone for joining us this morning. Stay safe. Bye.

Operator:

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