



NOVAGOLD Resources Inc. First Quarter 2021 Financial Results Conference Call and Webcast Transcript

Date: April 1, 2021

Time: 8:00 AM PT

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 First Quarter 2021 Financial Results Conference Call and Webcast.

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star, and zero.

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

MÉLANIE HENNESSEY:

Thank you, Operator.

Good morning, everyone. We are pleased that you have joined us for NOVAGOLD's 2021 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.

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.

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

Greg?

GREGORY LANG:

Thank you, Mélanie and good morning, everyone.

Our Donlin Gold project is in the western part of Alaska, as shown on Slide 4. Donlin is a 50/50 partnership with Barrick Gold. Mining has always been an important part of the Alaskan economy and it is becoming even more important to State revenues with the decline in oil prices and tourism. 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 our longstanding Native Corporation partnerships, the exponential leverage to rising gold, strong cash position, key Federal and State permits in hand, and an experienced Management team and Board, as well as supportive, long-term shareholders, NOVAGOLD is in a league of their own.

Slide 5 highlights the 2021 achievements. NOVAGOLD and Barrick jointly released the remaining assay drill results in March from the 85-hole program we completed last year, which yielded higher drill grade thicknesses than predicted by previous modeling and has improved interpretation of gold mineralization controls. These results have bolstered our confidence in the recent geologic modeling concepts and confirmed multiple high-grade extensions in both the intrusive and sedimentary rocks, and very importantly, many of this near surface.

For permitting, in November 2020, Alaska published an initial public notice comment period for the water rights applications for the mine site and transportation facilities. This closed in December 2020. Water rights are for local surface water sources and ground water to be used for process water, dust, fire control, and other mining activities.

In March 2021, with Donlin Gold's support, Alaska introduced a second public notice period which closed on March 26. We anticipate the Department of Natural Resources will issue final decisions on the water rights applications in the first half of 2021. Donlin Gold, working with its Native partners, continues to support the State of Alaska to advance other permits and certificates needed for the project.

The image on Slide 6 shows the top 10 intervals from the 2020 drill program with core hole locations in both the ACMA and Lewis deposits. With Barrick, we jointly issued the final set of assay results last week. The program totaled over 23,000 meters and successfully increased our confidence in the modeling concepts and was the largest program at Donlin in over 12 years. Results exceeded the expectations with higher grades over narrower intervals, primarily in the sedimentary rocks. The program has improved our geologic interpretations. Additional confirmation and high-grade extension drilling are planned for 2021 to further test the ore body continuity, structural controls, and gather geotechnical and geometallurgical data for analysis.

As noted on Slide 7, Federal permits are in hand and additional key State permits and approvals have also been obtained while we continue to progress on the remaining State permits. There are three primary State permitting areas that are outstanding, none of which are on the critical path for the project's development.

The Division of Oil and Gas has reconsidered its decision for the State Right-of-Way agreement and lease authorization for the gas pipeline. Under the reconsideration, Alaska issued a revised comment document for additional public input. The document further describes how Alaska is considering previous public input that was solicited in the Right-of-Way review, primarily on how cumulative impacts are addressed in the decision. The comment period ended in November 2020 and we expect Alaska to reissue the Right-of-Way agreement and lease authorizations in the first half of 2021.

Additionally, Alaska published an initial notice period for comment on the water right applications and transportation facilities. Water rights are key for the mining activities. Alaska introduced a second public notice period, which closed last week. We anticipate that they will issue final decisions on the water right applications in the first half of 2021.

The dam safety certifications process is a multi-year commitment to gather additional geologic information to advance the final engineering work on the tailings facilities and water retention structures from a feasibility level to a final construction package, which is required for the project's dam safety certification. This field work will resume later this year.

We are proud to say that the 2020 drill program was safely and successfully completed, and this achievement was done with no COVID cases at the project site. For the past year, policies were implemented to reduce risk and ensure the safety and well being of all employees and contractors. Alaska is a leader among the States in COVID-19 vaccination availability with Governor Dunleavy announcing earlier in March that vaccinations are now available to everyone 16 and over.

Much of the success of the vaccination program in the Y-K region can be credited in large part to the leadership of the Yukon-Kuskokwim Health Corporation and Native Health partners who made home visits in remote communities, used the extensive medical clinics, and even offered vaccinations outside of grocery stores. Donlin Gold's stringent safety measures and on-the-ground support allowed us to safely operate four rigs last summer for the program with careful collaboration with our Native partners as well as Tribal groups in the Y-K region were key to a successful field season. The protocol we established last year will be followed for the 2021 field season.

Donlin Gold is committed to support the needs of community partners and First-Quarter community engagement highlights can be seen on Slide 9. In partnership with TKC, the Village of Crooked Creek, and the Napaimute Tribe, Donlin was again the lead sponsor of a project to construct and maintain the upper sections of an ice road on the Kuskokwim River. Donlin also provided technical data to assist the road builder, including aerial photographs and ice measurements. It improved safety and access to nearby communities for the residents in these remote locations. At its completion in February, the ice road was almost 200 miles long.

In January, the Village of Tuluksak's water purification plant was destroyed by fire, creating a health and safety crisis for the community. Donlin worked closely with their Tribal Administrator and Tribal Council to assess how Donlin could best help and coordinate efforts. Donlin, as well as several other community organizations and companies, stepped in to assist with much needed water and supplies. To date, Donlin has signed Friendship Agreements with six villages in the Y-K region that formalize the current engagement practices with local communities. These Agreements expand upon our long-term relations, already well established with these communities, and address specific community needs, such as water, sewer, land fill projects, as well as other social programs.

We support our Native partners, Calista and TKC, and their mandates established through the 1971 Alaska Native Claims Settlement Act, as highlighted on Slide 10. We are helping them develop their land for the economic benefit of the region and all of their stakeholders. Donlin is fortunate to have time-tested partnerships with Calista and TKC, the owners of the mineral and surface rights. The project's location on private land specifically designated for mining activities is a key attribute that distinguishes it from other mining assets in Alaska.

With the long history of mining and the skilled workforce in Alaska, Donlin Gold offers the opportunity of a future with good-paying, year-round jobs and training for young people so that they can live closer to home. About 80% of our local workforce on the drill program were Alaska Natives. We are proud to provide significant economic and social benefits to the Y-K region and are thankful for the long-term support and commitment to the project and its continued success.

Over the past 25 years, Donlin Gold has worked closely with Calista and TKC, along with other representatives of the communities, to effectively respond to their needs and concerns. On Slide 11 you can see quotes from the leadership of our Native Corporation partners. These partnerships and the activities and programs we undertake together are illustrative of our commitment to the sustainable and responsible development of the Donlin Gold project for the benefit of all stakeholders.

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

Dave?

DAVID OTTEWELL:

Thank you, Greg.

Slide 12 highlights our First-Quarter operating performance. We recorded a net loss of \$8 million, an increase of \$1.4 million from the prior year quarter, primarily due to higher G&A expense and completion of assays from the 2020 drill program at Donlin.

Lower interest rates led to lower interest income earned on cash and term deposits and lower interest expense incurred on the Barrick note.

First-Quarter cash flows are highlighted on Slide 13. We spent \$7.7 million in the First Quarter, slightly lower than the prior year Quarter. Higher G&A spending and Donlin funding was offset by a reduction of withholding taxes paid on vested PSUs. The company elected to not pay the withholding taxes on shares issued to the CEO and CFO to conserve cash.

On Slide 14, we note our robust treasury. We ended the First Quarter with cash and term deposits of \$114.2 million. We also have \$75 million due from Newmont in July this year and an additional \$25 million in July 2023. We continue to anticipate spending \$31 to \$35 million in 2021, including \$18 to \$22 million to fund our share of Donlin and \$13 million for our corporate G&A cost.

And with that, I'll turn the call back over to Greg.

GREGORY LANG:

Thank you, Dave.

As shown on the chart on Slide 15, when you look at the resources at Donlin compared with 15 other large gold projects in the Americas, Donlin is the largest in its category with the reserves that is almost four times greater than the average. A Federally permitted project that's got almost 40 million ounces of gold just to begin with, in a jurisdiction where the rule of law is not a novelty, is almost unheard of.

Grade stands out as another central characteristic of any mineral deposit. A deposit with higher grades provides resilience through multiple commodity cycles, a key attribute to ensure the successful development of any great mining operation. As shown on Slide 16, at 2.25 grams, Donlin has twice the global average grade for large open-pit deposits.

Not only is global gold production decreasing for most of the majors, but average grades continue to decline over the past decade. There are only a few mines in the world that produced greater than a million ounces in 2020; Donlin would be in rare company. As currently envisioned, the project would average 1.1 million ounces per year over its entire life, as shown on Slide 17. For the long-term investor, there is additional value that comes from a mine with a multiple-decade lifespan.

Looking at other comparable mining operations around the globe, both in production and in development, Donlin would rank among the top operations if it were producing today. Slide 18 shows some of the largest producing mines globally and the largest development-stage projects. Only one development project has both global scale in a desirable mining jurisdiction, and only a few operations produced a million ounces, further illustrating that projects like Donlin are scarce and are needed to replenish the industry's diminishing reserves.

As shown on Slide 19, the ACMA and Lewis pits occupy only three kilometers of an eight-kilometer mineralized belt. When the time is right, based on the known areas of mineralization, there is future exploration potential to significantly expand the current resource along strike and at depth.

Slide 20 represents the life-of-mine diagram for a project like Donlin, as one of the largest open-pit development projects. After years of exploration and resource enhancement, technical studies, environmental studies, and the receipt of our Federal Record of Decision and key State permits, Donlin Gold has been substantially de-risked and methodically and carefully brought up the value chain. It's a solid foundation from which to advance this unique deposit. The time upfront invested to develop and responsibly, sustainably move forward is critical to the project's success. We believe investors' patience will be rewarded.

In 2021, we will integrate the drill program results into the geologic model. We will undertake additional confirmation and extension drilling to expand upon the recently obtained information into the continuity and structural controls of the higher-grade mineralization that we encountered. We will then shift our focus to working with our partner to update the feasibility study, subject to formal approval by the Donlin Gold Board.

NOVAGOLD is thankful for the continued support and engagement with our shareholders, including Paulson and Company, Fidelity, BlackRock, new shareholders the Saudi Public Investment Fund, First Eagle, EXOR, and VanEck, as noted on Slide 21. This is especially noteworthy during a global pandemic. The strong relationships that we enjoy with everyone from our retail shareholders to our institutional shareholders has been deepened and we are greatly appreciative.

In summary, NOVAGOLD's 50% ownership at Donlin is a Tier-One asset in a Tier-One jurisdiction and a pure-gold play on a unique project that we believe, when seen for its rare combination of attributes in terms of size, grade, potential, and partnerships, is a win-win scenario for all of our stakeholders. Additionally, as a transparent company that has consistently delivered on its strategy, with a strong treasury and getting stronger with additional funds from Newmont in July, will provide sufficient funding until we make a construction decision on Donlin. Our key Federal permits and State permits are in place and advancing and we have a successful record of building and operating large mines.

Thank you for your attention today.

Operator, we will now open up for questions from the attendees.

OPERATOR:

Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are 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 comes from Lucas Pipes of B. Riley Securities. Please go ahead.

LUCAS PIPES:

Good morning, everyone.

Greg, I wanted to ask a little bit more about an updated feasibility study. And specifically, would it be possible at this point here to provide maybe some color around timing? And then from there, I have maybe one or two more follow-ups. Thank you.

GREGORY LANG:

All right, Lucas. Good morning and thank you for joining our call.

As far as timing, over the next few months we will be, you know, obviously incorporating the assays into our geologic model. We're planning a small follow-up program on some of the real high-grade

zones we encountered, which frankly, some just exceptional results. We'll be conducting the drill program in the next few months.

At the same time, we will be reviewing many aspects of the project with our partner, from tailings management, flow sheets, water controls, and so on. This technical work will provide the basis for the owners to lay out the criteria of the project that we are taking forward, in terms of scale, throughput, you know, and so on. That's going to—the work of the trade-off studies will take us through to September, at which time we would make the decision to embark on a new feasibility study. That's a process we think will take about a year.

LUCAS PIPES:

Very, very helpful. I really appreciate that detail there.

Then, maybe it's a bit premature, but you touched on it a little bit just now, but in terms of the key points that would be revisited in an updated feasibility study, what would you say could the market be looking for? Some really key updates. Thank you.

GREGORY LANG:

I think the real key update that we'll be providing when we embark on the feasibility study is the general approach to the project. I think as most people are aware, we've been evaluating various staged development scenarios to reduce the upfront capital burden. Part of the studies that we'll be undertaking in the next few months as the geologic models are updated is what is the final throughput that we want to target for stage one, and other significant parts of the project: the gas pipeline, third-party participation and so on. We want to get all of those issues really laid to rest and then we'll embark on a new study.

LUCAS PIPES:

That's very helpful. Greg, team, really appreciate all the detail. Continued best of luck. I'll turn it over.

GREGORY LANG:

Thank you, Lucas.

OPERATOR:

Our next question comes from John Tumazos of John Tumazos Very Independent Research. Please go ahead.

JOHN TUMAZOS:

Thank you very much.

When will the 2020 drill program be completed and all the results in? Are the results interesting enough that there might be an additional drill program to follow up on those results prior to the updated feasibility study?

GREGORY LANG:

All right, well, good morning, John.

Working with Barrick, we have released all of the assay results from the 85 holes that we completed last year. We have some really, really compelling results; and what you'll note in our results, we had areas of, you know, 10-plus grams that came in, you know, some three meters below the surface. A lot of the work that we're planning this year is obviously to follow up on those near-surface, high-grade intervals that would be mined early in the project's life.

That will be the big focus of the program and I would—last year we drilled 85 holes. I don't think it will be that extensive of a program this year, but we're working with Barrick to finalize the drill hole locations and we're expecting to start some time later in April. We've got the camp open now and we're mobilizing food and supplies, ready to begin drilling.

JOHN TUMAZOS:

Do you think that the priority on updating the feasibility study is such that even if you get some great new results there won't be a third drill campaign, that you'll just stop and do the feasibility study? Or is it too early to make that call?

GREGORY LANG:

John, I think the program, the drilling we did last year, which was the most extensive in over 12 years, and the drilling that we're contemplating this year, I think that will conclude the drill programs in and around the ACMA and Lewis deposits, and that will position us into, you know, moving forward with the new feasibility study.

There will be additional drilling required, such as geotechnical drilling, hydrological water wells, and so on. But drilling to define the ore body, I expect that to be largely wrapped up this season.

JOHN TUMAZOS:

Thank you and good luck.

GREGORY LANG:

Thank you, John.

MÉLANIE HENNESSEY:

We had a question come in by text that I will read out.

Given the extensive amount of drilling at Donlin, what do the latest results represent and what do they mean for the future of the project?

GREGORY LANG:

I think that's, you know, there has been a lot of drilling at Donlin over the years. I think we're now approaching some 1,500 holes, primarily core holes. The new results go back a few years to our appreciation that, as we looked at this as a staged development with smaller equipment, we advanced the hypothesis that the higher-grade intrusive structures, which still carry the lion's share of the gold, that these structures were thick enough and continuous enough to be mined separately, so that the goal of this program is to have a smaller, higher-grade project in the initial stage. And clearly some of the results, you know, multiple intercepts of 10-plus grams, 30, 40 grams in good thick intervals, these really support our view that we can separately mine the high-grade and enhance the mill feed and have a smaller project with still a very significant production profile.

OPERATOR:

Once again if you have a question, please press star, then one.

Our next question comes from David Lasensky, a private investor. Please go ahead.

DAVID LASENSKY:

Good morning, gentlemen and ladies.

Just a couple questions. The fact that the drilling has been completed for 2020, that assay program, do you expect to raise proven reserves as a result of that drilling?

GREGORY LANG:

Well, David, clearly the results exceeded our expectations and we're incorporating the data into the geologic model. I never like to get ahead of any modeling efforts, and let the work speak for itself, but I'm very positive on the outcome. Just really base that on the across the board we encountered higher grades, although thinner, higher-grade intervals, and for an overall increase in the grade thickness than what we had previously modeled.

Certainly, very positive how much of that translates ultimately into reserves, we don't know. That's why we're doing the update, but certainly some great results. It can only help our understanding of the ore body.

DAVID LASENSKY:

The final question is, have any of the royalty trusts shown interest in financing in the future, like Franco-Nevada or Silver Wheaton, companies like that?

GREGORY LANG:

Yes, certainly a lot of—there is interest by streaming and royalty companies, and they follow our activities. I think our focus right now is wrapping up the new geological model and proceeding with the feasibility study. As far as financing options, there are many out there to be considered. Streaming is on the list, you know, my personal preference is doing as much of the financing as we can with debt or

other non-open-ended instruments. The big focus right now is the feasibility study and we'll, as we get further advanced with that, we'll turn our attention to the financing options.

DAVID LASENSKY:

Well, just a personal opinion, I think that the longer you wait, the better off you'll be in terms of royalty trust because I'm anticipating by the end of the year \$2,500 gold and by the end of next year, \$3,000 gold, so. Just my personal opinion and thank you for answering my questions.

GREGORY LANG:

Thank you, David. We are also—I share your view and we are bullish on the gold price ourselves.

OPERATOR:

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

GREGORY LANG:

Well, everyone, thank you for taking the time to get an update on our activities.

Dr. Kaplan, have you any closing remarks?

DR. THOMAS KAPLAN:

Thank you, Greg. Are you able to hear me alright?

I would conclude simply by saying that the results speak for themselves. The assays from the time that we started to deliver upon them to the final 30%, from tip to tail, they exceeded our expectations. As somebody who has been in the mining business now for almost three decades, I can't count on one hand the times that the most expansive and aggressive drill program undertaken in the last 10 or 12 years of any project has yielded the kind of upside delights that the Donlin drilling delivered for Barrick and for ourselves.

I think that what you're seeing is that Donlin is, as we've often said, the gift that keeps on giving. I have to highlight the fact that we are only focused right now on that gold which would be in the mine

plan, the first phase of the mine plan. The three kilometers that's been drilled are only three out of eight kilometers of mineralization. There are deep targets, deep high-grade targets, laterally across the entirety of the mineralized belt, and that eight kilometers itself represents only 5% of the land package.

It's a forward-looking statement, take it for what it is, but those of you who know me know that my track record has been built through the drill bit. I'm never happy if drill rigs aren't moving somewhere. But what I can say is this. I feel very strongly, and this has only been a feeling that's been reinforced over the last year, that the next Donlin could very well be at Donlin. It's my expectation that you're going to see enormous value unlocked for Barrick shareholders as well as NOVAGOLD shareholders from Donlin.

In my mind, it is the new Nevada. It is the new Carlin. Like Nevada, it's located in the safest jurisdiction in the world, which is at a premium. Donlin is really something that checks the boxes on so many levels. In an era of asset scarcity, Donlin is right up there with the very best in the world, but it's just located in the best part of the world, and that to me is the definition of a way to make a killing in mining.

My comment, which is why I just stood aside to see if anyone wants to talk about the macros, but my comments are simply that those people who are participating in the Donlin story have seen that over the decade since Greg came on board as CEO and I joined him as Chairman, every single promise that we have made has been fulfilled. Every pact has been kept, and we've done it without compromising. We've done it without cutting corners. We've done it in a way that has only made the company more friends, both in the industrial sphere and at least as importantly, more importantly, with our Native Corporation partners.

Our shareholders, I think, have a lot to be proud of. I've been in the story for 12 years and I can tell you that I'm more excited now than I've ever been. The feelings that I get when I see those drill results are the absolute opposite of deal fatigue. If I had my way, yes, I would permanently have five to 10 drill rigs on this target, as I do with other privately owned assets. We'll get there. I have a feeling that as jurisdictional risk rises to the fore, as gold prices rise, and shareholders want to see things that are being built, Donlin will be at the top of everybody's list.

I have zero doubt, zero doubt, that in a bull market in gold, NOVAGOLD as a pure play on the new Nevada will achieve absolutely record highs. I have no doubt about this. I also have no doubt that, as Barrick shareholders understand, that within the Barrick portfolio, without having to make expensive acquisitions, they have an opportunity to have a Tier-One asset. In one or two phases will be producing over a million ounces a year. There's nothing like that in the world other than, you know, potentially Polyus's Sukhoi Log, which I jokingly call the analogue because, you know, it's separated by the straits.

We think we're on the right side of those straits, but the reality is that Mother Nature has given us in Donlin an extraordinary story. It's located in a place where as shareholders, if you want to go visit it, you can incorporate whale watching or fishing into the equation. More importantly, it falls into that category that I've increasingly called the "Getting a Good Night's Sleep" story, which is to say that when you go to sleep at night when you wake up in the morning, what you thought you owned you still own.

Here you have a Federally permitted, massive deposit, the negative surprises that usually come in mining (inaudible 41:08) with Donlin. As some of our shareholders who have been with us for a long time will know, we've called this the story of the tortoise and the hare. People would say, yes, yes, yes, well you know that's going to take years. Our attitude was, you know what, this is Aesop's Fable and we'll win the race. I can't tell you how many projects that people thought were going to be built either fell by the wayside because of technical issues or social issues or simply political risk. We have none of them.

Technically, we're getting better and better. Socially, we have the best possible partners. From the standpoint of political risk, I know the developing world as well as anyone in the mining industry. I'm telling you, you want to be in a place where the rule of law is not a novelty; and where property rights mean something; and where you have exploration upside and leverage in a jurisdiction where, when you want to ring the cash register, you'll be allowed to keep the fruits of your leverage. That's really the name of the game, if I'm right. And if I weren't right, I'd put NOVAGOLD into play and pivot to something that would give me more joy in terms of the leverage, or the safety, whatever. It just doesn't exist.

Donlin is unique. When you look at the attributes, the size, the grade, the production profile, the mine life, the cost structure because of the grade, the exploration potential, which is arguably the best in the gold space, maybe Sukhoi Log, I don't know, but I can tell you those drill results would have been the best drill results in any major mining company. Any major mining company. And so I have no doubt that when silver and gold perk up again, NOVAGOLD will be seen as the go-to stock in the development space, and we've just added a high-grade exclamation mark to this thesis.

From an investor standpoint, someone who is 90%, 95% on the investor's—institutional investor side of the table, this really is as good as it gets. I love cats and this is catnip.

Brother Greg, back to you, my friend.

GREGORY LANG:

Thank you, Tom.

Everyone, thank you again for joining our call. We'll keep you updated and look forward to the next quarter. Take care everyone. Stay safe.

DR. THOMAS KAPLAN:

Thank you.

OPERATOR:

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