



NOVAGOLD Resources Inc.

Second Quarter Financial Results

Conference Call and Webcast Transcript

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

Dr. Thomas Kaplan
Chairman of the Board

David Ottewell
Vice President and Chief Financial Officer

Richard Williams
Vice President, Engineering and Development

Operator:

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

As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star then one on your telephone keypad. Should you need assistance during the conference call, you may signal an operator by pressing star and zero. 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 2021 Second 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, 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. Additionally, we will respond to questions received by email.

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 the presentation over to our Chairman, Dr. Thomas Kaplan.

Tom?

Dr. Thomas Kaplan:

Thank you, Mélanie, and good morning, everyone.

Greg sends his regrets as he has had a family emergency to attend to and will be back in the office in several days.

The Donlin Gold project is in the western part of the great state of Alaska, as shown on Slide 4, and is a 50/50 joint venture partnership with Barrick Gold. I don't need to stress that mining is an important part of the Alaskan economy and becoming even more important to State revenues and employment.

As shown on the map, there are six producing mines and numerous exploration and development stage projects in the State. Mining industry employees can be found in most communities, large or small. In terms of scale, quality, and exploration potential, Donlin Gold's attributes far exceed any other gold development project globally. When combined with our longstanding Native Corporation partnerships, the exponential leverage to a rising gold price, a strong cash position, with key Federal and State permits in hand, an experienced management team and board; as well as long-term, supportive shareholders, NOVAGOLD is in an enviable position amongst all gold development projects.

NOVAGOLD is committed to responsible mining, stewardship of the environment, and adding value to the communities in which we operate. We believe that mines can be developed in collaboration with people who've had the local knowledge to help minimize environmental impacts while providing maximum benefits to all stakeholders. NOVAGOLD has approached the disclosure of our environment, social, and governance, ESG, performance pragmatically as a development stage company, disclosing benchmarks that we believe are the most relevant measurements of our performance. The introduction of our inaugural Sustainability Summary report earlier this year was the latest step in our progression. A selection of the measurements of performance can be found on Slide 5.

At NOVAGOLD, we strive to achieve the highest possible standards through our workforce performance, actions, and conduct. At Donlin Gold, these principles are passed on to our workforce as they receive training and experience to develop skills that will help them today, as well as in the future.

The 2021 drill program at Donlin Gold has direct hires of 70% Alaska Native employees, from 20 different villages in the Y-K region, as presented by the blue dots on the Slide 6 map.

Community partnership is integral to our corporate culture. NOVAGOLD supports the Donlin Gold team in their outreach and site work to make a positive difference in the Alaskan communities in the Y-K region. Slide 7 shows snapshots of project activities like the rainbow smelt larva study sampling, the delivery of buckets to improve hygiene as well as materials for mask making kits to provide protection during the COVID-19 pandemic.

Careful collaboration with our Native partners, Calista and TKC, as well as other tribal groups in the Y-K region since 2020, has been key to successfully operating at sites with zero COVID cases. Zero. While the COVID-19 pandemic is a lower risk than a year ago, NOVAGOLD and Donlin Gold have continued adhering to policies to reduce risk and ensure the safety and well-being of all employees and contractors. Donlin Gold's stringent measures, as outlined on Slide 8, allowed Donlin Gold to safely operate for the 2020 drill program, which we are continuing for the 2021 drill season.

Underlining NOVAGOLD's and Barrick's commitment to the project, the partners have expended approximately \$2 million over the past two years in upgrading the Donlin Gold project site, including a larger kitchen facility, upgrades to electrical supply, a new warehouse, and upgrades to the core logging and cutting facilities and equipment. Some of this investment can be seen in the photos on Slide 9.

The Donlin Gold project camp was reopened in March, and four drill rigs were deployed for the 2021 drill program. Slide 10 shows drilling, as well as core cutting and inspection, that occurred earlier this month. You can also see on the bottom left an aerial photo of the project site.

As of June 26, a total of 28 holes have been drilled out of 64 planned. This represents over 40% of the 20,100 meters planned in this campaign. Initial assay results are expected later this summer. As you can see on the map on Slide 11, planned drilling is targeted in the ACMA and Lewis Pit areas, and is being performed to verify geologic modeling concepts and further test ore body continuity and structural control, and test for extensions of high-grade zones in both intrusive and sedimentary rocks. Once we have completed the 2021 drill program and geologic model update incorporating all the latest

drill data, optimization work, and trade-off studies since 2011, this will provide the necessary information to support a decision to move to the upcoming feasibility study, subject to a formal decision by the Donlin Board LLC.

With all Federal and most key State permits in hand, Donlin Gold continued to successfully advance remaining State permits, including water rights and the natural gas pipeline Right-of-Way with the support of Alaska Native partners, Calista and TKC. The Alaska Department of Natural Resources is expected to issue its decision to approve water rights applications for Donlin Gold related to local surface water and groundwater sources this year. Additionally, ADNR's Division of Oil and Gas is also expected to reissue the State Right-of-Way agreement and lease authorization this year.

On May 27th, the Alaska Department of Environmental Conservation Commissioner upheld the State of Alaska's Section 401 Certification under the Clean Water Act that had been granted to Donlin Gold in 2018 after a thorough, diligent, and transparent review by State and Federal agencies of the proposed project development plan and its relationship with the surrounding environment. This is a permit that Donlin Gold has held since August 2018. On June 28th, Earthjustice, a San Francisco-based activist law firm on behalf of ONC, the tribal council for Bethel, a village in the Yukon-Kuskokwim region, filed an appeal in Alaska Superior Court. NOVAGOLD strongly believes that the Commissioner's decision to uphold the 401 Certification validates the project stakeholders' commitment to advance the Donlin Gold project in a safe and environmentally responsible manner for the benefit of all Alaskans.

All great ore bodies go through appeals and litigation. There's never been one without one.

Over a six-year period, Donlin Gold conducted an extensive, transparent, and independently reviewed scientific evaluation that included significant community participation and scrutiny, and consistently demonstrated that the project fully complies with the Clean Water Act, the Alaska Water Quality Standards, and Anti-degradation analysis and other applicable State and Federal laws. The process culminated with the issuance of the 401 Certification by ADEC in 2018. The 401 Certification clearly demonstrates that the project fully complies with the high standards of environmental protection imposed by the State of Alaska and the appropriate agencies of the Federal government of the United States.

We remain entirely enthusiastic about the future of Donlin Gold, a Tier-One gold development, and look forward to continuing our constructive engagement with all the appropriate Federal and State agencies in Alaska, a jurisdiction that welcomes responsible resource development that enriches the lives of all its residents.

To meet reporting requirements, NOVAGOLD retained Wood Canada Limited in 2020 to perform a detailed review of costs and other assumptions used in the previously filed 2011 Technical Report. The 2021 Technical Report utilizes the existing mineral resources model and the same technical information from the previous Donlin Gold 2011 Technical Report with 2020 costs and adjusted gold price. This report results in no material change to the mineral resources or mineral reserves. As stated earlier in the presentation, the 2021 Donlin Gold Technical Report is separate from the upcoming feasibility study that we expect will commence once we've completed the 2021 drill program and the geologic model update, subject to Donlin Gold LLC board approval.

Donlin Gold is committed to support the needs of its community partners, and second quarter community engagement highlights can be seen on Slide 14.

In April, Donlin Gold was a major sponsor of the Lower Kuskokwim School District's annual College and Career fair held virtually. More vendors participated this year, and approximately 100 students attended.

NOVAGOLD and Donlin Gold made significant contributions to the Thomas Lodge in Crooked Creek after a fire. Funds were used to repair this critical asset prior to the busy summer season.

To date, Donlin Gold LLC has signed seven Shared Value Statements with villages in the Yukon-Kuskokwim region that formalize current engagement with local communities. These engagements expand upon the long-term relationships already established with these communities, and address specific community needs such as water, sewer, and landfill projects, salmon studies, and suicide prevention programs.

NOVAGOLD also sponsored and participated in the Mining for Miracles Pie Throw in May, a fundraising event in support of the BC Children's Hospital located in Vancouver, British Columbia. As you can see from the photo on the bottom right, our very own Greg Lang took a pie for this worthy cause. Thank you, Greg.

Donlin Gold operates pursuant to the terms of a subsurface minerals and surface land lease with Calista Corporation, and a surface land use agreement with The Kuskokwim Corporation, TKC. The Donlin Gold project is being developed on private land that was selected by Calista and TKC at the direction of Y-K region elders in the 1970s when land considered valuable for resource potential was selected and resource development companies were invited by the Native Corporations to explore. We support Calista and TKC mandates through the 1971 Alaska Native Claims Settlement Act, ANCSA, as highlighted on Slide 15, to help them develop their land for the economic benefit of the region and all stakeholders involved. We are thankful for the long-term support and commitment to the project by the Alaska Native Corporations. They play a key role in its continued success.

In the second quarter, the first Subsistence Community Advisory Committee was launched. SCAC is a subcommittee of the Donlin Advisory Technical Review and Oversight Committee. Calista, TKC, and Donlin Gold initiated planning to establish this committee in 2018. The committee's objective is to establish and maintain a well-defined process for communication, dialogue, and problem-solving needed among the partners. The committee is made up of diverse people from the region to provide information about local subsistence activities and traditional knowledge as it relates to the Donlin Gold project. The SCAC committee provides a forum for stakeholders to discuss issues of concern related to Donlin Gold's plans, operations, or monitoring activities, and their potential impact on subsistence activities, wildlife, or habitat. Recommendations related to subsistence will be made to the committee and assist them in developing and periodically updating a subsistence plan for lands and waters affected by the Donlin Gold project.

These partnerships, activities, and programs demonstrate NOVAGOLD's and Barrick's longstanding and deep-rooted commitment to sustainable and responsible development for the benefit of all stakeholders in the Y-K region.

I will now pass it over to David Ottewell, our CFO, who will cover the financial results for the second quarter.

Dave?

David Ottewell:

Thank you, Tom.

Slide 17 highlights our second quarter operating performance. We reported a net loss of \$10.5 million in the quarter, an increase of \$3.3 million from the prior-year quarter, primarily due to foreign exchange movements resulting from the strengthening Canadian dollar and lower interest income earned on cash and term deposits. Also contributing to the increase were higher share-based compensation and legal costs, and a full quarter of activity at the Donlin camp this year compared to last year's temporary pause due to COVID precautions.

Second quarter cash flows are highlighted on Slide 18. We spent \$6.6 million in the second quarter, slightly higher than the prior-year quarter. Higher Donlin Gold funding and G&A spending was offset by foreign exchange movements on Canadian dollar denominated cash and a reduction in working capital. We ended the quarter with cash and term deposits of \$107.6 million.

On Slide 19, we note our robust treasury. In addition to our cash and term deposits, we also have \$75 million due from Newmont next month, with an additional \$25 million due in July 2023. We continue to anticipate spending \$31 million to \$35 million this year, including \$18 million to \$22 million to fund our share of Donlin, and \$13 million for our corporate G&A costs.

I will now turn the call back over to our Chairman, Thomas Kaplan.

Dr. Thomas Kaplan:

Thank you very much, Dave.

We all recognize that Donlin Gold already enjoys an incredible foundation of attributes to build upon, and that as the project's expected mine life may already be measured in decades, we have a great

responsibility to all stakeholders to do things right from the start and not cut any corners. With approximately 39 million ounces of gold in measured and indicated mineral resources when compared to the 15 comparable large gold projects in the Americas as shown on Slide 20, Donlin Gold is the largest in its category with a resource that is four times greater than the average.

The scale of Donlin Gold, combined with its quality, its grade at 2.24 grams a tonne as shown on Slide 21, at twice the global average grade of large open-pit deposits is simply exceptional.

As currently envisioned, the project would average 1.1 million ounces per year for the life of mine as shown on Slide 22. Donlin Gold's production profile far exceeds the average of North and South American peers on this slide. Global gold production continues to decrease for most of the major producers, further illustrating that the industry desperately needs projects with scale, grade, and longevity.

Then, of course, there's more than this. Donlin Gold is indeed unique in its combination of all of the attributes that we've cited, and then some, particularly given the scarcity of new major gold discoveries over the past decade, and the safe jurisdiction in which it's located - Alaska, a Tier-One jurisdiction. Only three mining operations produced more than one million ounces in 2020 as shown in teal in Slide 23. Looking at comparable scale mining operations around the world, both in production and in development, Donlin would rank among the top operations if it was in production today. The slide also shows the top five largest development-stage gold projects in dark blue. Donlin is in gold. Looking globally, there's only one development project that has both scale and a desirable mining jurisdiction - Donlin.

While we're focused on the drill program, permitting, and modeling work, we haven't lost sight of one of the project's most important attributes - Donlin Gold's truly exceptional exploration potential. The project's gold endowment is contained within only 3 kilometers of an 8-kilometer mineralized belt, as shown by the ACMA and Lewis Pits shown in gold on Slide 24, and the mineralized belt represents only 5% of the total property, and let's not forget that in all the past drill programs at Donlin Gold, we've encountered amongst the best assay results for an open-pit gold project in the industry anywhere in the world.

Slide 25 represents the life of mine diagram for Donlin Gold as one of the world's largest open-pit mining development projects. After years of exploration and resource enhancement, technical studies, the receipt of our Federal Record of Decision, and several State permits, Donlin Gold has been substantially de-risked and methodically brought up the value chain. It's a solid foundation from which to advance this rare and unique deposit. The time invested up front to develop responsibly and sustainably is critical to the project's success. We believe investors will be amply rewarded.

In 2021, we will complete the 2021 drill program and geologic model update incorporating all the latest drill data, optimization work, and trade-off studies since 2011. Then, subject to a formal decision by the Donlin Gold board, shift our focus to the upcoming feasibility study.

Deposits that boast Donlin Gold's special combination of incredible attributes are unusual and highly coveted, and not just by investors. Given recent examples of governments around the world, either physically or through legislation or other means, effectively seizing assets, we are grateful that Donlin Gold is located in Alaska where there is a time-tested culture of respect for responsible and sustainable mine development and the rule of law. We are confident that NOVAGOLD, with Barrick, Calista, and TKC, will advance this unique project up the value chain in a technically advanced, safe, environmentally sound, and socially responsible manner.

NOVAGOLD is thankful for the dedication, engagement, knowledge, sharing, and encouragement of our shareholders, many of whom have been holders for a decade, and are shown on Slide 26. We're appreciative and humbled by the trust you've put in our team, and we take this responsibility very seriously. We remain focused on maximizing returns in a measured, safe, and socially responsible manner. It's extremely important for all of us that you are proud of your investment, as well as make money.

The attributes of Donlin are summarized again on Slide 27; the uniqueness of the project, its balance, its robustness in key categories, size, grade, jurisdiction, partnerships, exploration potential, balance sheet, advanced stage of permitting, a management team that has built and operated similar scale operations and investors who are aligned with our strategy as we move Donlin Gold up the value chain.

Thank you.

Operator, we will now take questions from the participants.

Operator:

Thank you, sir.

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

Lucas Pipes:

Thank you very much, and good morning, Tom and team. Tom, it's great to hear your voice.

I wanted to first ask a higher-level question, and then turn over to the project specifics, but Tom, it feels like the gold market is looking a bit for direction here, and would appreciate your thoughts as to what is your outlook? Where do you see the next catalyst? Really appreciate your insights. Thank you.

Dr. Thomas Kaplan:

Thank you, Lucas. Great hearing your voice as well.

I don't really think it's really something of the gold market looking for direction. I think it's more a function of gold doing what we always say, which is that gold does what you least expect it to do when you least expect it to do it. I think that what we're dealing with is a correction that, once out of the way, is going to lead to new highs in gold. I think that we'll see gold go right through 2000. Essentially, what we're seeing, it's not only in the gold market, it's in some other markets as well. You're seeing pullbacks that are accompanied by some capitulation, but if I had fresh dollars to put into the market today, it's into gold and silver, and particularly the equities that give you the maximum exposure. So, to me, this is part and parcel of what we're seeing overall in the markets, which is that people are having to come to terms with the fact that some things have changed and we are in uncharted waters. One of the assets that you always want to have exposure to when we're in such a sea change are the precious metals, and the equities are as cheap as they've ever been, so they're a great buy.

Lucas Pipes:

Very helpful. Thank you, Tom, and on the feasibility study, you mentioned you would commence that work once the drill program is completed. I wondered if you can provide an update of kind of how long it would take from there for the study to be completed, and then, obviously, from there, kind of what timeline could look like towards development. Thank you very much.

Dr. Thomas Kaplan:

That's brilliant. Thank you so much, Lucas.

I'd rather pivot this to Richard Williams who is our Project Manager. Suffice it to say that Greg would normally be fielding that part of the question, but my understanding is that once we have the drill data and the modeling done, and once there's a decision by the Donlin Board, we would go into updating the feasibility study, and the logic—or, the logical way for me to answer this is that at that time, both we and Barrick would give you the timeline that we're looking for.

Did I bob and weave sufficiently for someone who's not trying to avoid the question, but wants to make sure that you get an accurate answer as a pinch-hitter?

Lucas Pipes:

Yes. No, no, that's helpful.

Dr. Thomas Kaplan:

Wait a minute, wait a minute, wait a minute...

Richard Williams:

No, I was just going to say, Tom, you did a brilliant...

Dr. Thomas Kaplan:

Richard Williams.

Richard Williams:

I'd just add, Lucas, it's hard to put a timeline, and Tom said it perfectly. We're going to get this drilling done. We're going to do the analysis, make sure we've covered all the risks and gaps, or at least have

a mitigation plan, and you remember all the optimization and all the trade-offs we've been doing. We'll go through all those, what survives, what doesn't, and then we have to develop a scope of work of what that update and feasibility, our final feasibility, or detailed, whatever definition you want to put—adjectives in front of that feasibility, because that's a key document as a stage gate for that next decision to try to get to a construction—ultimate construction decision. So, as Tom said, we're going to pull all that together as a group and put everything on the table. Once we have that scope defined, then your scope defines your timeline, and as Tom says, we'll be happy to roll that out once we have all the pieces lined up.

Dr. Thomas Kaplan:

What he said.

Lucas Pipes:

Really appreciate that.

I'll ask one other slightly related question. It's a bit higher-level, again, but Tom, you speak to the decline in production profile in the industry, and I wondered if you are able to provide an update as it relates to the sense of urgency that you're seeing or sensing among the majors to replenish their production and development pipeline. Appreciate your thoughts on this.

Dr. Thomas Kaplan:

Well, I think (audio interference 30:13) were right in what's going on with gold. That sense of urgency will become, I think, closer to panic, but it's not simply that. It's what's happening in terms of the jurisdictional risk is really—I hate to say it because at a certain point, I became the Pied Piper of jurisdictional risk, but every week that goes by, you're looking at new jurisdictions which are becoming uninvestable. It's very hard if you're an investor in gold, or copper, to look at countries which are already talking about windfall profits taxes, and when you see that kind of thing happening in copper, not just, by the way, in Africa, but also in the Americas, amongst some of the senior producers, and you see movement in these countries towards outright socialist governments, you realize that the mantra of location, location, location is there.

You have investors. Those investors don't want to see you putting new, fresh dollars in countries that are going to cap their earnings potential, and when you see things through that prism, the natural concern that these mining companies have to replace their reserves, and remember, not just replace reserves, but also to do so in a way that is not dilutive to their overall grade, because average grade has collapsed by half over the previous decade. Well, now you have to superimpose on that that all the other countries that you might have been thinking of, assuming that you weren't listening to me and a few other Jeremiahs out there, they're off limits, and the implications that that has for gold and copper, for copper/gold projects, etc., people aren't going to put fresh dollars into jurisdictions that are basically saying, if you build it, we will come and take it from you. The field of dreams just doesn't work that way, and if I'm right, then what you're seeing in copper is definitely going to be shown to be in gold.

I think gold, for sure, is going to be declared a strategic asset in many jurisdictions, and you really just want to be in those handful of places where the rule of law still matters. Again, what does that mean? That means a project like Donlin, which does not suffer from those issues of being accretive in reserves to everybody. It is accretive in terms of grade to practically everyone's open-pit profile, but more than that, it's in a jurisdiction that, when you really want the fruits of the leverage instead of a legislature or an autocratic government coming in and capping your gains, this one will allow you to keep the fruits of that leverage. So, seen through that prism, how many stories do you have?

Kudos to Barrick. They understand it. They've seen what goes on all over the world. They know that Donlin is unique. I mean, we call it the new Nevada, because in terms of its size and its quality, Alaska, which is already the second-largest gold-producing state in the United States after Nevada, well, Donlin is a flagship gold asset for the entire industry. The amount of gold assets that will produce over a million ounces around the world, it's a unicorn, but the most important thing is that the unicorn has got to be in a place where there is anti-poaching legislation. Otherwise, the unicorn ends up on someone's wall.

I've completely mixed my metaphors, but you're going to allow me to indulge myself because I cannot exhort people enough, and I'm not talking my own book. It's because I've been there. I know these places. I've actually done really well in those places. It's over, over, O-V-E-R. You want to be in places where an investor—a portfolio manager can tell his IC that when I go to sleep at night, I know that

what I thought I was going to wake up to is still there. I still own it, and there are no surprises. That means United States, Canada, Mexico, Australia. I mean, a couple of other outliers, your Finlands. But there you're going to have the worst of all problems for an investor. Getting the macro right, and because you're right, not just getting it right, but because you're right, someone else comes along and says, thank you very much for building it for me. Other than that, I'm wildly enthusiastic about the emerging markets.

That's my summary.

Lucas Pipes:

Tom, it's always great to hear your thoughts. I really appreciate it, and to you and the entire team, continued best of luck.

Dr. Thomas Kaplan:

Thank you very much, Lucas. Thank you for all of your great questions and firm support. We really appreciate it.

Operator:

Our next question is from Trevor Turnbull with Scotiabank. Please go ahead.

Trevor Turnbull:

Yes. Thank you, and thank you for providing an opportunity to discuss the project update. I'm sorry to hear about Greg's news. I certainly wish him the best.

I appreciate you're going to have an updated technical report that'll be forthcoming with all the details of the re-costing exercise. However, I did also want to ask a couple of high-level questions just on the operating and capital costs.

With respect to the reassessing the cost at Donlin, I was wondering if there were any major surprises, or if you could comment, perhaps, on some of the big items like labour rate trends, and if there were any material changes in the re-costing for, say, fuel price assumptions.

Dr. Thomas Kaplan:

Richard?

Richard Williams:

Yes, you want me to take that, Tom? I will. Thanks.

Dr. Thomas Kaplan:

Go, man.

Richard Williams:

Trevor, yes, it was a good exercise. It had been 10 years since the 2011 Technical Report, and so it was a good opportunity to, one, look at a lot of the permitting activity and see if there was any major changes, which there weren't, but we're able to bring in new costs, which now aren't estimates as much as real now as we're getting permits, but no material change. It's just more surety.

Then you touched on some good points. When we looked at fuel, particularly with diesel, and the oil prices have changed since we—the months we've been working on this update, but in the 2011, for instance, we had \$85 barrel oil, and we used \$65 in this—in these update numbers, which isn't far off where we are today, and so, actually, we saw a decrease in power costs, because natural gas is also tied to the oil price, and so something like processing, the costs actually were slightly better due to that energy reduction.

Labor costs, you touched on a good one. Probably one of the steady things we did see throughout the past 10 years and throughout all our costs was labor's gone up, and I don't think that's a surprise, but again, nothing that earth-shattering, and I think, Trevor, what you can take from these numbers is, although they've gone up, so has the gold price, and so one of the things we were trying to check, and it's the same thing we checked back in 2008 when we were doing projects, is when does the gold price have a steeper incline than the rising commodities for building, and so what we saw, and you'll see it in the detailed report, is we track well, right, and so with the higher gold price, it offsets some of those higher labour costs and some of the other commodity costs.

I think, overall, to only show about a 10% capital increase on a project this size, that was a pleasant surprise that they weren't more, and again, we used some CPI indexes in some places, but we did go out for quote on a lot of the major equipment to make sure that we didn't let indices fool us.

So overall, there was no step change, and as we reported, the really good news is when we look at these new operating costs and ran some optimized pits, they fell within the 2011 pits, which is why the QPs were comfortable signing off to no material change, so I think it kind of supports the robustness, and again, just highlights the magnitude and the value of this asset.

Trevor Turnbull:

Right. No, that helps a lot. Thank you.

I had a similar question about the initial capital cost. I was wondering, again, if there were any large swings in the estimates or surprises that just were unexpected to you, and then also if you could talk a little bit about if there was a difference between, say, the initial costs on the mine versus the utilities and the pipeline project, if one showed more or less change relative to—because you provided an overall number, but didn't break it down, and I was just curious if one element had more of a change than the other.

Richard Williams:

Yes, that's a fair question, and a good question, and something we were trying to watch to see where the trend was going, which we also would relate back to some of the optimization work that we've been doing, but we didn't really see any one area grossly spike out of control, which was good—again, good news. You had some pluses, you had some minuses. There were a few pieces of the mining equipment that were a little bit shocking how they had maybe doubled in price, but then other mining equipment hadn't, and most of the not just large-capacity equipment, but the large number of equipment did not, so overall, we didn't see a substantial rise, but yes, it was a little curious on just a few pieces of equipment, and then when you got into the process, I think, again, nothing—mills and flotation equipment and autoclaves and all that seemed to be pretty well all in-line, no major spike in one area than another, which again, that was a good trend to see.

One thing we tried to do, Trevor, was to make sure we did not—because we were on the front end of Q1 2020, we were on the front end, we didn't want any COVID-related cost – good or bad – to impact. We wanted more of a neutral thing, and so there were some areas where we could have used a lot lower prices, say, in piping material that we opted not to at this time, and when the time comes that we're ready to actually purchase, that we'll take advantage of those things, but again, we wanted to be as fair and level as we could with this exercise, knowing that this is just a launching pad into the final feasibility update.

So yes, I would say overall, Trevor, we did not see any one area that just knocked our eyes out, and so overall, that—I think that's a good trend is that you see the ups and downs. Magnitude is all about the same throughout, all the disciplines. Like I say, even in the infrastructure we seem to have held pretty good ground there, so we're pretty pleased in that sense.

Trevor Turnbull:

That's great. Yes, looking at kind of the overall numbers on both Opex and CapEx, it didn't seem like that big a change, and that certainly would make you think that there were—there are no big outlying elements within it.

Appreciate the color, and look forward to finding out when you guys are looking at the feasibility study when that decision comes, but thank you very much.

Richard Williams:

You bet. Thank you, Trevor.

Dr. Thomas Kaplan:

Thank you, Trevor.

Operator:

Our next question is from John Tumazos with John Tumazos Very Independent Research. Please go ahead.

John Tumazos:

Thank you. Regards to Greg. All well wishes.

Last year, there were some really nice drill holes released or confirmatory drill holes. Does no material change in the reserves and resources mean that you might have had a one or two million ounce improvement that's immaterial because you're so well endowed with so many ounces of gold, or were those holes just twinning other good holes, or were there some holes that were below average mixed in so there was no material change?

Richard Williams:

Tom, I can address that one too, if you'd like.

Dr. Thomas Kaplan:

Sure.

Richard Williams:

John, yes, good observation, so with this verification of no material change, we did not go into, obviously, all the new data and run a whole new resource with these QPs. What we did, though, is take the 2020 and the 2017 drill holes and look at those piercings into the old 2011 geologic and resource model and looked—spot-checked that there wasn't a major material change or variation, so you're right. I mean, when we get this last drilling done and we do another full update on that resource, it's not—I don't think you're going to see anything material, right, and again, we're just spot-checking at this stage. We'll have a better handle on that when we finish the work, and as we said last year, those were all good news holes, but they were targeted holes, and the—and it was a small population to the overall, and we've just got to finish the work to give you the—what the big picture looks like.

John Tumazos:

Were last year's holes targeting what is likely to be the first several years of the mining sequence? It's common for lenders or equity investors to ask about the first few years when they do due diligence on a project, and often, the twinned holes are the earlier years.

Richard Williams:

Right, so John, the targeted holes were more looking at concepts and extensions and could we—looking for some continuity and piecing together. We have a high-grade up here. Can we tie that high-grade we have down there together and do the—does it fill in, in between, so it wasn't necessarily designed to look at just the early pits, but what I will comment is we keep track of ones that do pierce, say, that first 10 million ounce pit versus the big, at the time, \$1,200 resource pit just to see how we're tracking, and I think it's pretty clear that with this deposit and the drilling that's been done over the last 10, 12, whatever, 20 years, that—I'll call it the starter pit, if you will, is obviously more densely drilled, and we have more understanding of it than we do the—some of the outer areas, and so that can be used, as you said, for that due diligence to make sure that—you always—and I think we've heard others say it, it's a 30-year project, but we want to make sure those first 10 years are pretty rock-solid, because that's your payback, and I think that is what you're alluding to.

John Tumazos:

Thank you very much.

Operator:

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

Dr. Thomas Kaplan:

Thank you very much, Claudia.

First of all, thank you to Lucas, Trevor, John, for your questions and your well wishes to Greg, which obviously will be conveyed.

I want to also thank Dave Ottewell for his contribution. We've got a robust balance sheet, and he's doing a great job with it, and Richard Williams for stepping in and making sure that I'm not too far over my own skis in talking about things where we're fortunate to have someone like him who joined us right after building the very successful Pueblo Viejo mine, which is pretty similar in scale to Donlin. I remember when Richard joined us, and Victor Flores, then at Paulson, asked Richard, why did you come to NOVAGOLD, and Richard said, because I want to be part of building the greatest gold mine in the world.

For reasons which I think that we've tried to convey, we really believe that Donlin is a unicorn, holy grail, whatever superlatives you want to put on something which when you look at its attributes grade and size and safety and costs, and all those other things really is unique, and in a world in which almost every week another jurisdiction goes by the wayside, and location, location, location becomes the primary gating point for an investor, I think it's fair to say that NOVAGOLD as a pure play on the new Nevada, the next Carlin, however you want to look at it, is a really great investor vehicle.

I also want to take a moment to thank our partners at Barrick because this is truly a joint venture. We are 50/50, but more than that, we work really, really closely together, and I thank Mark Bristow, and Catherine Raw who runs Barrick North America, for setting that kind of tone. As I like to rib Mark, who's been a dear, dear friend for many, many years, I say, the reason why we get along so well with Barrick is because NOVAGOLD has more Barrick DNA in it than Barrick, and it's a joke, but it's also a testament to the fact that our teams work very seamlessly because pretty much everyone has known each other, and to the extent that Randgold has come into the story, which, of course, is a very big extent, it's been hugely accretive to the process. What they've brought, their own vision to the enhanced modeling concepts, I think it's fair to say that both the Barrick and NOVAGOLD teams, the Donlin Gold team as the synthesis, are really excited by what they see.

The new models are obviously extremely exciting. If you were to look at those drill results from last year, they would be amongst the very best drill results in the entire gold industry. The fact that they're located in the place that is really allowing us to go all-in is really fabulous, and as most of my career has been built on the drill bit, I can tell you, were it up to me, I'd have 10 drill rigs on the thing for years, but that's another story. Suffice to say that there's a lot of gold there. There's going to be a lot more gold there the 3 kilometers to start, and even the 8 kilometers all together are 5% of the land package.

All credit to Mark Bristow, who's a geologist, has been out to site, will continue to be out to site. Mark wants to know what every single ounce is going to look like in those early years, and all credit to him because the project's only getting better, and this is a big love letter, and thank you to Barrick and team, but as investors, Electrum being the largest but Paulson, Fidelity and others, really stalwart investors on our side, I think we can look forward to really having one of the only go-to stocks in the

global development space, and I want to thank all of our investors, shareholders, big and small, for their support. We never take it for granted, not for a moment.

Thank you.

Operator:

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