



NOVAGOLD Resources Inc. First Quarter 2022 Financial Results Conference Call and Webcast Transcript

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

Gregory Lang
President and Chief Executive Officer

David Ottewell
Vice President and Chief Financial Officer

Dr. Thomas Kaplan
Chairman of the Board

Operator:

Welcome to the NOVAGOLD First Quarter 2022 Financial Results Conference Call and Webcast.

As a reminder, all participants are in listen-only mode and the conference is being recorded.

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

Melanie Hennessy:

Thank you, Cherise.

Good morning, everyone. We are pleased that you have joined us for NOVAGOLD's 2022 First 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 via the prompt, as Sharice mentioned earlier. 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 that are included in this presentation.

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

Greg.

Gregory Lang:

Thank you, Melanie.

At the end of the first quarter, we reported the final assay results in a joint release with Donlin and Barrick. The 2021 drill program was completed in late September with 79 holes totalling approximately 24,000 metres. As shown on Slide 5, both Barrick and NOVAGOLD agree that the 2021 drill campaign finished strongly with high-grade intercepts and some of the best drill results for an open pit project industry wide. Examples shown on this slide include 7.8 grams over 92 metres for a grade thickness of over 700.

Primary objective of the 2021 drill program was achieved by validating recent geologic modeling concepts to support future feasibility work, data collection for geotechnical and geometallurgical purposes, testing for extensions of high-grade zones, and to identify 2022 drill targets. As a result of the success in the 2021 drill program, the program was expanded into 2022.

Once the 2021 drill data has been incorporated into an updated resource model, the owners will determine updated mining schedules and life of mine business plans, prior to shifting to an updated feasibility study, which is of course subject to formal approval by the Donlin Gold LLC Board.

On Slide 6, we have included a quote from Barrick's recently published 2021 annual report on Donlin Gold. As a 50/50 joint-venture-ship, we have great alignment on our efforts to advance the Donlin Gold Project. We opened the camp in January to prepare the site for the largest drill program in over 10 years. With three rigs operating and approximately 70 people at the property, these winter conditions were key to access areas that would otherwise be challenging in milder weather.

On Slide 7, you can see a longitudinal section of the ACMA and Lewis deposits at Donlin. In 2022, we will undertake approximately 34,000 metres of technical and exploration drilling, both in-pit and at depth as shown in the areas circled on the slide.

While we are focused on the drill program, permitting and modeling work, we have not lost sight of one of the project's most important attributes that is the exploration potential. As shown on Slide 8, the existing deposit is not only open laterally as well as at depth, but its mineral resources are contained within only three kilometres of an eight-kilometre mineralized belt, which is located on less than 5% of Donlin Gold's total land package, as highlighted in yellow in the lower diagram.

In 2022, the proposed overall budget for Donlin Gold, which is equally shared with Barrick, is \$60 million. NOVAGOLD's portion is 50% as shown on Slide 9. It is the largest project budget the partners have committed to in more than a decade. The focus will be on approximately 34,000 metres of planned technical and exploration drilling in-pit and below pit, rig (phonetic 06:33) drilling for mineralization continuity and testing, and geologic structural controls. We will also support fieldwork and permitting for the Alaska dam safety certifications. Environmental activities, community and external affairs are ongoing. We will also update the geologic modeling and interpretation work for an updated resource model and engineering activities for use in an updated project feasibility study.

NOVAGOLD recently issued our 2021 Annual Report and announced the launch of our sustainability report that will be available later this month, with the focus on our Fiscal 2021 performance in the areas of environmental stewardship, health and safety, social engagement, and corporate governance. We have a deep commitment to environmental, social, and governance principles, as shown on Slide 10, that have been our practice for decades. This commitment extends to all levels of our Company and to the Donlin Gold project. For more information and to view these annual reports, please visit our website.

On Slide 11, we highlight our first quarter community engagement initiatives. Donlin Gold has focused efforts on supporting local communities by funding and participating in health and safety initiatives, environmental management, training and education, and cultural activities in the Y-K region. In collaboration with local stakeholders, Donlin Gold has worked with six school districts in the region as part of the national Dictionary Project to provide a personal Yup'ik (phonetic 08:55) dictionary to all third graders, supplying nearly 5,000 dictionaries over the last decade.

Donlin also sponsored Iron Dog Days and a new partnership with Alaska Safe Riders to provide safety briefings and support vintage snowmobile races. We partnered with TKC to deliver food to elders in the Yukon region. We also funded the 2022 Kuskokwim ice road, a 270-mile-long road, plowed and maintained that has significantly improved safety and access to 17 nearby Y-K region communities for residents in remote locations.

Calista and Donlin Gold, in close coordination with NOVAGOLD and Barrick, co-lead our government relations efforts, an important part of advancing the Donlin Gold project through permitting and beyond, as shown on Slide 12.

During the first quarter, Calista and Donlin Gold continued their bipartisan outreach in Alaska and Washington, D.C., to highlight the thoroughness of the project's environmental review and permitting processes, including the importance of responsible and much-needed economic development in the Y-K region and throughout Alaska. Alaska's U.S. senators have also reaffirmed their long-standing support for the Donlin Gold project. The photo on the right is from an event in Anchorage with Alaska Senator Lisa Murkowski.

Slide 13 provides a good summary of the Donlin Gold project and its attributes. In terms of scale, quality, exploration potential, and jurisdictional stability, Donlin Gold's attributes far exceed any other gold development project globally. When combined with our long-standing native corporation partnerships, the exponential leverage to rising gold, and experienced Management team and Board, long-term supportive shareholders, and with key federal and state permits in hand, NOVAGOLD is unparalleled.

Donlin Gold's scale is noteworthy. At a time when companies desperate to replace their depleting resources have to venture into increasingly risky geopolitical frontiers with uncertain physical and financial security for their investment, Donlin Gold with approximately 39 million ounces of gold in measured and indicated resources is ideally positioned to deliver long-term benefits with a mine life that is already measured in decades and has the potential to grow. When compared to the next 14 largest gold development projects in the Americas, as shown on Slide 14, Donlin Gold is five times greater than the average.

Currently envisioned, the Donlin Gold project will average over a million ounces a year for the life of the mine, as shown on Slide 15. The project's annual production profile is more than triple the average of North and South American peers. While global gold production continuing to decrease for most of the top 20 producers, it is clear the industry needs projects with scale, grade, and longevity to sustain and outperform through multiple gold cycles.

The scale of Donlin Gold, combined with its grade at 2.25 grams as shown on Slide 16, is twice the industry average grade for an open-pit project.

Looking at jurisdiction on a global scale, we can see that the mineral potential category, only three mining operations produced more than a million ounces in 2020, as shown on Slide 17. For political and social stability, we can see that based on the Fraser Institute rankings Alaska is in the low-risk category in gold. The top five largest development stage projects are in dark blue, three of these are in North America. If you combine all three, they are still smaller than Donlin, and the others are in more challenging jurisdictions. Comparing mines in production or those in development, Donlin Gold ranks among the top assets globally.

We are most fortunate to have as partners the Alaska native landowners Calista and TKC, who are committed as we are to develop a mining operation consistent with the elders' vision of responsible development that creates jobs and economic benefits, all the while safeguarding the environment and culture as per the supportive comments on Slide 18.

The Donlin Gold project is on privately land, specifically selected for its mineral development potential under the 1971 Alaska Native Claims Settlement Act. This is a key distinguishing factor for most other mining assets in Alaska in the U.S. The Donlin Gold team, Calista, and TKC, as well as other key representatives of the communities, work together to achieve these goals with the ultimate objective of ensuring sustainable and profitable project development. We are thankful for their long-term support and commitment to the project.

We believe NOVAGOLD's 50% ownership is this unique asset with the combination of scale, quality, longevity, leverage to gold price, exploration potential, and key partnerships clearly constitutes a special investment opportunity for our broad community of stakeholders and shareholders.

With that, I will now turn the call over to our CFO, David Ottewell, to review the 2022 first quarter financial results.

Dave.

David Ottewell:

Thank you, Greg.

Slide 20 highlights our first quarter operating performance. We reported a net loss of \$10 million in the quarter, a \$2 million increase due to the earlier start to the Donlin Gold drilling program this year.

Other income expense includes an increase in the fair value of marketable securities and favourable foreign exchange movements, partially offset by the lower accretion income due to the maturity of the \$75 million Newmont note in July of last year.

First quarter cash flows are highlighted on Slide 21. Cash and cash equivalents decreased by \$14 million, primarily to fund our share of Donlin Gold and for corporate and administrative expenses. The increase in cash used in the first quarter of 2022, compared to 2021, was again due to that earlier start to this year's drilling program, the timing of corporate liability insurance payments, and higher withholding tax on share-based compensation.

On Slide 22, we again note our strong treasury. Our financial position includes cash and cash equivalents of \$77 million, term deposits was \$78 million, and \$25 million due from Newmont in 2023. For the full year, we continue to anticipate spending \$46 million, including \$30 million at Donlin, \$13 million for corporate G&A, and \$3 million for withholding taxes on share-based compensation and working capital.

I will now turn the presentation over to Dr. Thomas Kaplan.

Tom.

Dr. Thomas Kaplan:

Thank you very much, Dave.

I will go into my remarks by beginning with a very simple statement, which is that gold is in a bull market. All roads lead to gold from a micro standpoint, the supply-demand equation, as well as from a political and geostrategic standpoint as well. I think we are getting to the point where the performance of gold is going to elicit a great deal more interest in the metal, and it's getting a lot harder to find it on

every level. But if people want me to spend more time on the gold commentary, by all means, let Melanie know, and I'm happy to oblige.

What I'd like to focus on primarily is the investor case for Donlin. On Slide 24, what you see is a compilation of a number of factors, which together render the Donlin asset to be unique. It is by any classification a tier-one asset, but it's also located in a tier-one jurisdiction. I've been harping on the story of jurisdictional risk for many years.

I think that I don't have to dwell too much on the global situation all across the world, not only in the developing world but also in the developed world itself, to suggest that the existential factor for not just mining investors any longer but investors in general is being in the right place. In the same way as the concept that the existential question for investors is in which currency they denominate themselves, I think it's now become very clear that you want to be in a place which is not subjected to a great deal of stresses, and where from your own stress level, 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. Now, superimpose that on to the asset that Donlin represents itself.

You've heard from Greg a very, very strong case being made for Donlin being the greatest development stage asset in the world today. I believe that that's the case. I believe that when people do say, why do you wax so lyrical about Donlin, I say because it has all of the attributes, which in combination, render it unique: the size, 39 million ounces in the measured and indicated mineral resource category, with clearly much more to go; the exploration potential, we often refer to it as being a situation where those 39 million ounces—and I'm not even talking about those that are inferred adjacent to the pit, nor those that we hope to be able to find to depth.

But the exploration potential of Donlin renders it really the new Nevada or the new Carlin. We always say that it's only 5% explored, and that's the 8 kilometres that we know about, of which the reserves only come from 3 kilometres. Another way to look at it is it's 95% unexplored. That is extraordinary. And the people should ask the question why that is, and it's very much a function, I believe, of the history of this asset, particularly the era before we came into the picture and Barrick and NOVAGOLD had their struggle.

I think that if Barrick had won the control over the entirety of the asset, it's probably fair to say that they would have had 10 drill rigs on this thing, maybe up to the present day. I think the reserves would be a multiple of what they are. But more than that, I also believe—and this is a forward-looking statement, don't attach any more value to that other than the fact that I've sort of made my fortunes through the drill bit, I do believe that the next Donlin is at Donlin.

There are some within our group who speak about it along strike, and there are others who see the lower-hanging fruit to depth or in the gap area. Whatever it is, we're talking about an asset that continues to deliver. It's not an accident that our friends at Barrick and their annual report noted that the results which we had on this latest drill program were some of the best results for an open pit property for any development-staged gold asset in the world. In fact, any developed gold asset in the world.

Donlin is a gift that keeps on giving. The grade is already double that which the industry is looking to mine, and it's possible that in the earlier years the grade will be meaningfully higher than that. So, we've got the size, in other words, the scale. We have the quality. We have the blue-sky exploration potential that is so valuable for investors when a bull market is underway.

The jurisdiction is second to none. We are in the second largest gold-producing state of the safest jurisdiction in the world, a state that is welcome for mining and where we enjoy partnerships at the state level at the level of our native corporation partners; not to mention, of course, our industry partner, Barrick; and also, from the U.S. Federal Government. You heard from Greg that the relations are excellent, and we are a federally permitted project on land which was designated for mining on private property. It really doesn't get better than that.

From an asset standpoint, you have everything that someone could look for if they want octane in their portfolio from a development-stage asset.

Now, on Page 25, we talk about the other aspect that is so important. It's one thing to have a great asset, but you want to make sure that it's in a safe pair of hands, that the stewardship is what you're looking for. The track record of NOVAGOLD's Management team, the one that took over a decade ago, has really been stellar. When Greg came into the story, I came in as Chairman at the same time

as he came in as CEO. We went out on a road show. We're still living off the fruits of that offering that we did a decade ago.

Plus following through on our promise to be able to monetize Galore Creek in a very positive way. By the way, I really need to add that at the recent BMO conference, Don Lindsay went out of his way to say how much Teck loves Galore and looks forward to it being built. Should that happen, in that eventuality, potentially, we would get another \$75 million if they make the construction decision. All good news for our shareholders.

But meanwhile, those who have invested in Trilogy or those who got it as a dividend have seen that Company develop real value in the marketplace, and has allowed us to be able to focus as a pure play on the Donlin asset. We believe that has enormous, enormous ramifications for our stock performance going forward.

Between the combination of factors which make Donlin such a great asset and the jurisdictional stability which is increasingly important on a daily basis in today's world, we think that being able to be a pure play on the new Nevada or the new Carlin, however you want to term it, makes it really one of the greatest ways to play gold in today's world.

We're aligned with our strategy on taking Donlin up the value chain with our partner at Barrick, with whom NOVAGOLD has a 14-year history. The focus on the geology and the mine plan, which we expect will lead to a refreshing of the feasibility study. All of this is moving us in the right direction. Of course, we have the largest drill program in the history of the project, which is taking place now, which, as Mark Bristow referenced in his own remarks on Donlin, are meant to be able to primarily test upside scenarios as well as giving us the finishing touches on the geotechnical aspects that go into the mine plan.

The culture that we have in focusing, not just on maximizing shareholder value, is only part and parcel of a culture of respect not just for our shareholders but between NOVAGOLD, Donlin, and our local stakeholders. Our greatest supporters are the native corporations who are with us with skin in the game, both from the surface as well as the mineral rights.

The development of Donlin is going to be the cutting edge in terms of ESG. The employment, the scholarships, the workforce development, and environmental programs in the region that we're already funding are going to only be accentuated by being able to bring the development to what is really one of the poorest parts of the United States. It's not a wonder that we have the support at the local level, at the state level, and at the federal level for this game-changing project.

What does that mean in terms of the status quo for our investors? If you look on Slide 26, when you combine the quality of the asset, it's jurisdictional safety, the management's culture of respect for its shareholders, as well as local and industrial partners, you see that we're poised for what we expect will be an enormous uplift that comes from the value that we will get by being so highly leveraged to higher gold prices.

What you see here is that the project returns increase substantially with higher gold prices, and the mine life already measured in decades is really only going to go higher with more drilling. But what I would accentuate here is that it is our considered opinion that the history of this period when it's written, in terms of those projects that will give the highest value to investors, is those which are in jurisdictions where the implied interest rate will be the lowest, and that's where political risk comes into the story.

It used to be, before Newmont went to Yanacocha and the go-to-where-the-gold-is mentality took hold in the gold space in the early 1990s, that the lowest risk premium attached was to U.S. assets, which was then in turn arbitrated with what were then the risky assets: Canada, Australia, and South Africa. Obviously, the world changed, and we've seen people go through all areas of Latin America, Africa, Asia, etc. I believe that for a whole host of reasons, what we're going to see is that we're going to go back to the future, which is to say that the highest rated assets will be those which are in safe places like Nevada, Australia, and, of course, Alaska.

With that, going to Slide 27, I think it's not surprising that we have enjoyed such strong institutional shareholder and management support. The 10 largest shareholders represent nearly 65% of our issued and outstanding shares. Our executive officers' ownership has increased to 2.8 million shares since they've joined the Company. It's not just that we have a strong shareholder base, we have an incredibly smart shareholder base. They're educated consumers, as such, they're our best customers.

They know that we've kept faith with them that every promise that the Company has made we've delivered upon. They know that the NOVAGOLD asset, our 50% share of Donlin, has been a gift that keeps on giving, as we've seen from every press release about the drill results or the progress with our partners at Barrick. We are incredibly grateful to having some of the smartest, wisest shareholders on our shareholder roster. Also, for being there for us when we seek their counsel.

Our shareholders know that if they want to speak to Greg or Melanie, they're there in a heartbeat. You don't have to make a long-term appointment. The same applies to me. I am, as our friends at Fidelity would say, the owner who lives above the store. I'm the Chairman of this Company for a very simple reason: I enjoy it. I love working with this team. I love being able to talk about this asset, because I know that when we look back upon this era, the Donlin asset will be seen as being the Holy Grail.

When we get into that era and what John Paulson refers to as gold fever, I think that it won't be a surprise that we will be one of the very best performing equities in the gold space. We've got that combination of scale, blue sky, mine life, grade, management, low-cost structure, and jurisdictional safety that is going to make us the go-to stock in the gold development space. As such, I'm looking forward to sharing that joy, as the largest shareholder, with all of you going forward.

With that, I thank our shareholders, I thank those who follow our Company, and I thank our Management and Board of Directors for being so supportive.

Thank you again.

Melanie Hennessy:

Hi, Cherise. Are you on the line to prompt individuals to ask for questions via the webcast?

Operator:

Absolutely. We will now begin the question-and-answer session.

Melanie Hennessy:

Thank you, Cherise.

We have our first question coming from the line of Mike Siperco from RBC. That one is for Greg. Are you able to provide an indicative schedule for when you plan to release exploration results, other project updates this year, and when you think the updated resource model to be completed?

Gregory Lang:

All right. Well, I'll first speak to the exploration results. The drilling got started early in January, and it's been going great. We've sent the first core off to the assay labs. Last year, assay turnarounds were fairly slow. We think we've put some measures in place that will speed that up. We typically release when we've got a meaningful amount. Last year, we did three joint releases on the drilling. This year, the program is a bit larger, so I think we'll probably end up doing four releases. I would anticipate the first release sometime towards the end of May, and at that time, we'll also provide an update on the other activities going on with the project.

Melanie Hennessy:

Great. Thank you, Greg. We also have a second question coming from the line of Trevor Turnbull at Scotiabank, who asked, I know that Barrick recently reached an agreement with Pakistan for the potential development of the Reko Diq project. Are there any read-throughs (phonetic 37:35) for Donlin, given Barrick's demonstrated interest in large-scale projects such as this?

Gregory Lang:

Let me start. Well, let's set aside any view on jurisdictional risk. I think I certainly like working up in Alaska. Side-by-side comparisons are somewhat difficult because Reko Diq is primarily a copper deposit and Donlin is gold. But on an equivalent basis, the grade at Donlin is substantially higher than Reko Diq. But I think, more than anything else, it really demonstrates that the industry needs large-scale projects like Donlin or like Reko Diq to sustain themselves. I think that's what really positions NOVAGOLD well. Large-scale projects are a strategic significance to major mining companies, regardless of where they happen to be.

Melanie Hennessy:

Great. Thank you, Greg. We have one more question, coming from Andy Chopek (phonetic 38:54). Given the time and investment that will be required to bring Donlin into commercial production, has

Barrick indicated any interest in buying out NOVAGOLD's 50% interest in order to gain operational control of this asset to accelerate development?

Gregory Lang:

That's obviously a question that a response would be inappropriate. Right now, we're focused on working with our partner to execute this year's field program, which I think will be an exciting year for us. Particularly, I look forward to what we learned by drilling at depth at Donlin. I think we all appreciate the vast potential there and nothing like deep drill holes to give us additional insight there.

Melanie Hennessy:

We have another question coming in from Lucas Pipes from B. Riley for Tom. What are the implications of the war in Ukraine and related government responses, such as sanctions on central bank gold holdings?

Dr. Thomas Kaplan:

Well, there are two parts to that. From the standpoint of the war in Ukraine, I think that it's very clear that jurisdictional risk has gone from being an incremental arithmetic equation to exponential. I think that any investor, not just in the mining space any longer, who does not try to factor in jurisdictional risk in their instruments has the potential to be annihilated in terms of that investment.

The fact that even the subject of nuclear war is raised shows that the prospects of annihilation are no longer limited to the investment space. I would think that people should probably be spending more time about the geopolitical implications of what it means to see war and massacres in Europe. It's no longer just something that people can turn a blind eye to because it's located in the Levant like Syria or in Afghanistan and Timbuktu, etc., etc.; it's now everywhere, and we have to factor this into the equation.

Mining, of course, is subjected to that aspect of investment principle in an almost steroidal way because you cannot move. Whatever you are, wherever you are, is who you are. But we're finding that this is no longer restricted to mining. Look at the western companies that have essentially had to abandon assets in Russia in order to be able to comply with the rules in their home countries or in most of the western world, if not most of the world in general.

Now, imagine if—and I hope it won't happen, and perhaps the fiasco in Ukraine, thus far, will act as a deterrent on any intemperate Chinese ambitions. But what happens if we see an economic war with China escalate? There's a lot of foreign investment in China. And of course the implications of China as a financial power, as a buyer of commodities, etc. So, political risk has gone up exponentially over the last five or six weeks. There is nothing which is off the table, and the fact that the Russians saw, to their horror, that half of their reserves were effectively sanitized or de-sanitized with the stroke of a pen is going to have a lot of people thinking about their assets. Sadly, we're not. We're just looking at it from a very neutral standpoint.

One of the assets that the Russians do have that is not someone else's liability is gold, and as we know, gold purchases by the Russians were very, very intelligently made, and Russians are now buying gold hand over fist in their citizenry, the central bank. One of the first actions that the central bank took, after the sanctions were imposed, was to go back into the gold market as a buyer. When they saw that they were competing with their local citizens, they stepped away from that. But the importance of gold has only gone up as a consequence of this new global disorder.

I think that it will not be lost on the Chinese that the value of gold is that much higher, being that they are so, so tied to the U.S. treasury market, just simply because of the volume of their holdings in non-renminbi assets. No doubt in my mind that the Chinese are, of course, the world's largest gold producer, are going to not only continue to buy all their local production but will continue to be large buyers in the world as they try to convert dollar assets into gold.

Russia, of course, is one of the largest producers, and I think it's very clear that they're not going to let gold leave the country, unless they're monetizing it in order to stave off other economic issues, in which case, my guess is that there are a number of central banks which would be more than willing to loan money to Russia collateralized in gold, if not buy the gold outright, assuming that the Russians would be willing to do that. But I think that they've seen only positive reinforcement from gold, and that is an aspect of life which is only going to accelerate the momentum that gold has when it definitively goes through the 2000s area and people start to try to attach valuations to it with the same kind of—well, pick a number that they have with so many other assets, including crypto.

When gold fever hits, it's very likely to go into a whole new universe. I'm sorry to say that. I've always said that I thought that from a supply/demand standpoint, falling grade, etc., etc., scarcity of resources, there aren't that many things out there like a Donlin, which can produce a million ounces, not to mention add millions of ounces of what is high grade for an open-pit gold. So, when you look at that, I've always felt 3,000 to 5,000 for gold is a reasonable equilibrium level. People say, "Well, why 3,000 and 5,000? That's a wide range."

When markets like this start to move, you can see that as being a 2- or 3-day trading range, and volatility I think is here to stay in pretty much everything. So, for all of those reasons, I think we're going to see a lot more people gravitating towards wanting to have some gold in their portfolio at a time when they'll be competing with governments and the mining companies not being able to deliver the gold which they used to. Call me bullish.

I hope that helps.

Melanie Hennessy:

Thank you. We have one final question coming in from Mike Siperco from RBC for Tom. If there is time on gold, for you Dr. Kaplan, Mike would be interested to hear your thoughts on gold in the context of increased speculation about growing central bank reserves, new gold commodity-backed standards for currencies. And then, also, would you see that scenario as an opportunity for outsized (phonetic 48:18) returns and potentially a risk, should ownership be restricted or controlled or for other factors?

Dr. Thomas Kaplan:

Well, it's an excellent question. I have no doubt that we are undergoing a major reexamination of what constitutes money. Obviously, for years, I've said that I want to be able to have exposure to an asset that isn't someone else's liability; and for me, that represented gold, and it still does, gold and silver.

Now, for some people, they look at crypto as being gold 2.0, and I have said and written in last year's annual report that I believe that the whole crypto narrative is extremely bullish for gold. I think that we're now starting to see people looking at crypto and looking at gold and seeing that they like what they see with gold as well.

The most important aspect is that the crypto narrative and the way in which central banks are now looking at digital coins, etc., is absolutely the victory of the gold narrative that gold bulls have been espousing, which is to say, you want to be able to have access to a form of money that cannot be printed by fiat. The last decade has pretty much shown that we are in such uncharted waters in terms of what central banks feel that they need to do in order to keep the global economy propped up, that all the rules have been broken.

Now, some of that clearly benefits certain cryptocurrencies. It's also benefited gold. I think that gold will certainly be one of the ultimate beneficiaries. And as I don't know which of the cryptos will actually survive—think of all the airplane companies that no longer exist or car companies for that matter—I don't know which of the cryptos will survive, because there's such a multiplicity of them. Who knows what governments will do in order to influence those markets, as well as to favor the vehicles that they're propounding?

But one thing I know, there's only one gold, and I don't have to worry about choosing what kind of gold I want if I believe that gold will be part of everyone's allocation in terms of wanting to be able to have alternative currencies to what we would call paper currencies, even if it's really digital now anyway. That's extremely important, because when you say crypto, you can mean many, many things, and I don't know which ones will turn out to be winners or losers. I'm not speculating.

I do know that when someone says, "Well, I think I want to add some gold," there's only one kind of gold. If they want to get more leverage, then they start to look at things like mining companies, etc. I do believe that when your brokers or the brokers of any of the analysts who are on this call, are going out and talking to investors, and they say, "We've got a great gold story to look at," Investors are going to say, "Wow, that's perfect timing." They'll go, "Yes, it's a mining company. It's got a great asset and an excellent management team with a track record of keeping their promises, etc."

I do believe that in the not-too-distant future, and it's probably already happening when you're starting to see the valuations being given to countries in safe places. I really do believe that one of the first questions that we'll be asked of the brokers is this, "You say you have a great company with a great asset and a great management team. Just one question before we continue: where in the world is it?"

Because if it's in a place where I wouldn't be willing to visit, and certainly not take my wife and kids, then it may not be for me.”

For a lot of reasons, a lot of ESG things come into play. Then of course, you have insurgencies, you have resource nationalism. We're seeing that even in what were considered to be the best in breed countries in Latin America, like Chile.

I think that what you're going to see is a new form of discrimination whereby investors say, give me a great asset with great management, located in safe place that if I want to go gambling in Vegas, I can go visit the property. If I want to go to the Great Barrier Reef and go snorkeling, I can go visit the property. If I want to go whale watching or salmon fishing in Alaska, I can go visit the property with a sense that at least it's comfortable. At least I'm not going to run afoul of my investment committee when something untoward happens in those countries, and the investment committee says, “Why did you do that? Why didn't you just go with something that's safer?”

If anything, ultimately, because there are so few vehicles that provide you with the kind of leverage to gold in jurisdictions that will allow you to keep the fruits of that leverage, like the Donlin or like the Nevada, for example, those things are going to achieve extraordinary valuations. The multiples that will be attached to them will be the product of them being special situations. People will pay a premium for those companies which will not embarrass them. That is my strong belief.

Again, I made my bones in South America, and then in Africa, and before coming back to North America. I'm talking my own book for one reason, I wrote chapters in that go-to-where-the-gold-is frontier mentality, and I skipped to the last chapter in the book, and I saw it wasn't a happy ending. So, I decided to go back to those first principles, and I got lucky because at that time, people weren't looking at North American assets. If anything, they were saying we should put a premium on assets in other places where permitting is easier and swifter.

Well, that's a judgment call. I would rather spend years and years and years permitting something, but at the end of the day, know that once it's permitted, I own it, and I can continue to own it. That's what I'm all about as a long-term investor who is a fiduciary for his family.

But if you're looking at assets in the gold space, I think that your brokers are going to want to be able to say, "Oh, and by the way, it's in a safe space." So, I hope that helps you. I've tried to give—the macro environment is so bullish for gold because I think a lot of countries will want to be able to say that they have more gold backing. I think that the Chinese will probably reveal themselves to be holders of much, much more in official reserves than they reveal. It's not that they're lying, it's just that they put it in to different pockets that allow them to be able to have those reserves elsewhere.

Once they announce what could very well be greater gold reserves than United States has, it becomes yet another part of their effort to undermine the most potent aspect of American power, which has only been reinforced in the last two months, which is the U.S. dollar being the world's reserve currency, far in disproportion to the representation that the dollar has as a trading tool.

I hope that helps.

Melanie Hennessy:

Great. Thank you. I will now turn the call back over to Greg Lang for closing remarks.

Gregory Lang:

Well, everybody, thank you. That was a good call. We appreciate your interest and that you took the time to join us this morning to get an update on the Company. Stay safe.

Operator:

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