



NOVAGOLD Resources Inc.

Third Quarter 2022 Financial Results

Conference Call and Webcast Transcript

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

Gregory Lang
President and Chief Executive Officer

David Ottewell
Vice President and Chief Financial Officer

Operator:

Welcome to the NovaGold Third 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 Mélanie Hennessey, Vice President, Corporate Communications. Please go ahead.

Mélanie Hennessey:

Thank you, Gary. Good morning, everyone. We are pleased that you have joined us for NovaGold's 2022 Third Quarter Financial Results, and also for an update on the Donlin Gold project.

On today's call, we have 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 on the phone and respond to questions received during the webcast and also via email.

I would like to remind 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 looking forward, forward-looking disclaimers 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, Mélanie.

We continue to be encouraged by the outstanding drill results in the ACMA and Lewis deposits that have returned significant high-grade intercepts and demonstrated good grade continuity. These results further support the global resource estimate, recent modeling concepts, and strategic mine planning work.

We have included some examples of high-grade intercepts on Slide 4, which include Hole 2040, with over 52 metres, rating almost 15 grams per tonne. Another segment in that same hole intersected over 18 metres at almost 11 grams per tonne, and drill hole 2056, with 74 metres and over four grams per tonne. For a more extensive description of recent drill results, please refer to the joint release from NovaGold, Barrick, and Donlin Gold dated July 28, 2022.

Additionally, the Donlin Gold Board approved an increase from 34,000 metres to 42,000 metres in the third quarter. The drilling at site recently wrapped up with a total of 141 holes. To-date, the Donlin Gold project reported assay results for approximately 9,870 metres, with additional assays expected to be released in the coming weeks, and the final results will be available in early 2023.

Donlin Gold's 2022 expenditures are estimated to be about \$64 million, of which NovaGold's share is 50%. As shown on Slide 5, the drill program included tight-spaced grid drilling in structural domains, in-pit and below pit exploration in sparsely drilled areas, platform mapping to confirm mineralization continuity and key geologic controls in several areas with deposit, waste rock facility condemnation drilling, and 14 geotechnical drill holes for the Alaska Dam safety certificates. The expenditures also support the advancement of project planning and fieldwork, as well as numerous environmental, community, and external affairs initiatives.

After decades of engagement, we continue with our proactive, bipartisan outreach in Alaska and Washington, D.C., with our partner Calista, to highlight the thoroughness of the project's environmental review and the permitting processes, as shown on Slide 6. Alaska's U.S. Senator, Lisa Murkowski and Senator Dan Sullivan have consistently expressed their long-term support for the Donlin Gold project. Donlin Gold provides support to the State of Alaska as various agencies advance permits and certifications required for the project.

Permitting in Alaska has represented a substantial undertaking over many years, and in fact, a tremendous achievement to ensure a diligent, thorough, transparent, and all-inclusive process for everyone involved. The inherent value of having a federally permitted project on private land designated by law for mining should not be overlooked.

Slide 7, we installed the federal and state permits and certificates received to-date. As with all mining projects in the developed world, we have always prepared and organized ourselves for challenges. Our Management team is intimately familiar with these processes that need to be followed. Donlin Gold and its owners, alongside the steadfast advocacy of Calista and TKC, continue to support the state in its defense of what constitutes an exceptionally thorough and diligent permitting process.

Ongoing Donlin Gold permit activities are included in Slide 8. We continue to support the Department of Environmental Quality and its efforts on the State's Clean Water Act 401 Certification. On July 14, the commissioner granted the request for adjudicatory hearing related to potential water temperature effects in Crooked Creek. The briefing is underway and should be completed in the next six months.

The right-of-way lease for portions of the natural gas pipeline on state land was separately appealed in Alaska's Superior Court by two parties. Legal briefings are being prepared by the parties and we anticipate a decision in 2023.

The State of Alaska's issuance of water rights for the mine and transportation facilities was also appealed. The administrative record was filed on September 12, 2022, with both parties preparing their initial briefs. A decision is expected next year. It should be noted that all of the appeals challenging Donlin Gold permits to-date have been unsuccessful, often multiple times, and we have confidence in the process. Nonetheless, objecting to mining is part of the business in itself.

With respect to the reissuance or granting of new permits, we are working on the following. A new air quality permit, which is expected to be in place in mid-2023. This is required in order to ascertain that the emission controls reflect best available technology and that air quality standards will be met. An updated Alaska Pollutant Discharge Elimination System application for regularly scheduled renewal is coming up, and we anticipate a decision by mid-2023. Relocating easements and public right-of-ways in the project area; the agency issued the proposed relocation plan for public comment in the summer of 2022, and a final decision is expected by year-end. Lastly, the fieldwork related to the issuance of the Alaska dam safety certificates resumed during the third quarter.

NovaGold and Donlin Gold continue to work with Calista and TKC in all aspects of outreach and engagement throughout the Y-K region. We're involved in the areas of education, health and safety,

cultural traditions, and environmental initiatives, including creating a Subsistence Committee comprised of independent regional stakeholders, reflecting diverse views on development initiatives, among other activities.

The success of our drill program and project activities in the third quarter and for the first nine months of the year is due to the exceptional dedication of the Donlin Gold team in Alaska, at the site and in the Anchorage office. The majority of our employees were local hires from 24 different communities in the Y-K region, as shown on Slide 10. They all share the goal of protecting the health and safety of their colleagues. Donlin Gold has not had a lost time incident in over a decade, with millions of man hours worked safely. That goal, both at NovaGold and Donlin Gold, is indeed our top priority.

As shown on Slide 11, sustained efforts were also underway in the third quarter to promote youth education and healthy activities in the Y-K region, through programs such as Alaska EXCEL, which provides life-changing educational and professional opportunities for rural Alaskan students and young adults. Other important initiatives included sponsoring the Alaska Native Heritage Centre, which encourages cultural awareness across Alaska, and our partnership with the Bethel Community Services Foundation, which is dedicated to development, growth, the continuance and enhancement of community-based programs and services.

Two additional shared value statements were signed in the third quarter with villages in the Y-K region, for a total now of 11. These agreements formalize current engagement with local communities, expand upon the long-term relationships already established with them, and address their specific community needs.

Donlin Gold and NovaGold contributed to and partnered in the fifth “In It for the Long Haul” Backhaul Project over the summer months to collect, remove, and safely dispose of household hazards and electronic waste from 30 remote villages throughout the region. Several photos of this project are shown on Slide 11. Over the past five years, nearly 400,000 pounds of waste was removed that otherwise would’ve ended up in landfills and waterways.

David Ottewell, NovaGold’s Vice President and Chief Financial Officer, will now give an update on our third quarter financials. Dave?

David Ottewell:

Thanks Greg.

Slide 14 highlights our third quarter operating performance. We reported a net loss of \$16.1 million in the third quarter, an increase of \$4.3 million from the prior-year quarter, of which \$2.7 million was due to the expanded Donlin Gold work program and \$1.6 million from an increase in other expenses, including increased interest expense on the Barrick note, a decrease in the fair value of marketable securities, foreign exchange movements, and lowering accretion income due to the maturity of the \$75 million Newmont note last year.

Third quarter cash flows are highlighted on Slide 15. Cash and term deposits decreased by \$10.4 million, primarily to fund our share of Donlin Gold, and for corporate administrative expenses. Compared to the prior-year quarter, the increase in spending was due to the expanded work program at Donlin, partially offset by higher interest income.

On Slide 16, we note our strong Treasury. Our financial position includes cash and cash equivalents of \$62 million, term deposits of \$70 million, and \$25 million due from Newmont in July of 2023. For the full year, we expect to spend \$48 million, including \$32 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 back over to Greg.

Gregory Lang:

Thank you, Dave.

Donlin Gold merits all of the attention it receives because of its unique principal attributes. As shown on Slide 17, the reason for such a status, beyond providing investors with pure leverage to gold, lies in the project's key attributes. Starting with its size, of almost 40 million ounces in M&I; its scale as it is expected to be a million ounce a year producer; high grade, at 2.25 grams per tonne, and as a result, is anticipated to be among the lowest cost producers; there's excellent exploration potential beyond the already planned almost three decades of production.

Located in Alaska, the second largest gold-producing state in the U.S., with the well-established tradition of responsible mining that provides sustainable longevity for an operation like Donlin; we're also on private land designated for mining, with Calista and TKC as our partners who are dedicated to responsibly advancing this project.

As shown on the bar chart on Slide 18, with almost 40 million ounces of resources, Donlin Gold is by far the largest among the development projects. No other gold mine has started with this size.

Anticipated to be a million ounce producer per year, the size not only provides scale, but longevity over a period of 27 years of production. As shown on Slide 19, when looking at the select group of gold development projects in North and South America, Donlin is by far the largest.

With exceptional grade, at 2.25 grams, or twice the industry average for an open pit project, as shown on Slide 20, this advantage enables Donlin to be predicted to be one of the lowest cost producers in the gold space.

The exploration potential is another exceptionally attractive attribute, whereby the open pit resource encompasses only 3 kilometres of an 8-kilometre mineralized belt, which is less than 5% of the total land package at Donlin. As highlighted on Slide 21, incredible upside exists to increase ounces and extend the mine life beyond three decades at Donlin Gold.

Location is truly key and having great leverage in a place where you can keep the fruits of your leverage is worth the investment in time and resources. On the map included on Slide 22, we feature top three gold-producing operations in the world and the five largest gold development projects. NovaGold defines what we consider to be the hallmark of a great natural resource investment, as stated on many occasions by our Chairman and largest shareholder, Dr. Thomas Kaplan, a seasoned investor with over three decades of experience in the space. His investment thesis centres on establishing a stake in great assets that provide enormous leverage to an underlying theme, and that are located in a safe jurisdiction that will allow one to keep the fruits of that leverage.

In light of its many outstanding and differentiating attributes, Donlin Gold is tailor-made to fill a real vacuum of high-quality projects in the gold industry's pipeline.

Donlin Gold is fortunate to enjoy time-tested partnerships with Calista and TKC, owners of the mineral and surface rights. Donlin Gold's location on private land, specifically dedicated for mining activities following the 1971 Alaska Native Claims Settlement Act, represents a differentiating factor for most other mining assets in Alaska, as per Slide 23. We deeply appreciate the critical value of having engaged Native corporation partners and meaningful tribal input that provides valuable insight about their land and supports efforts for a responsible and sustainable economic development through every phrase of the Donlin Gold project.

For all these reasons and many more, we believe that Donlin Gold stands in a league of its own as a premier gold deposit. Once developed, the project has the potential to form a major source of responsible economic development in the Y-K region for many decades to come.

Our efforts simply would not be successful without the unwavering support of our esteemed shareholders, some of which are included on Slide 24. We remain gratified to those who chose to invest in our Company, as well as for their continued interest and engagement. As a shareholder myself, I take that responsibility very seriously, and with the support of our management team, we'll continue to work diligently to advance the Company and the Donlin Gold project.

NovaGold's Management team's commitment to Donlin Gold project has been unwavering for more than 10 years, because we and all of our stakeholders recognize the unique potential of this future operation, as shown by the attributes on Slide 25. The extensive and cumulative work invested in the Donlin Gold project has substantially enhanced its value to Alaskans, as well as our shareholders. It has also consistently validated the attractiveness of continuing to responsibly advance this excellent asset up the value chain.

This year alone, the combination of an ambitious drill program with our geologic modeling and interpretation work for the updated resource model, advancing and updating engineering studies, environmental activities, and vast community relations and government affairs efforts with our Native partners have all contributed to multiple achievements to-date.

With that, Operator, we will now open the line for questions.

Operator:

Thank you.

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

Lucas Pipes:

Hey, good morning everyone, thanks for taking my question.

My first question is around the 2022 drill program, and if I saw it right, there was a modest increase. I wondered if this is inflationary-driven, or is it an expanded scope of the drill program? Thank you very much.

Gregory Lang:

Hi, Lucas, thank you for your question.

The increase in the drilling was strictly an expanded scope of the project. We added about 8,000 metres to the approved program. Even with the additional metres, we expect to come in underneath our drill budget, and that's because we achieved great productivity. Up in Alaska, one of the biggest costs of drilling is the fixed component of opening the camp, so the increased drilling had a very positive effect on our unit cost to drill and we were able to increase the metres without incurring significantly greater cost.

Lucas Pipes:

I like to hear that. That's very helpful, thank you.

Then, you have a comment in the press release about your Treasury today and then the additional funds expected, I think next year, \$25 million from Newmont, and how this is sufficient to carry you through a construction decision. I wondered if you could maybe provide just a little bit more granularity

on those comments. When would you expect a construction decision, and what are some of the big ticket items in terms of cost between now and that point? Really appreciate your colour. Thank you.

Gregory Lang:

Sure, Lucas, thanks for the question.

This year's budget at Donlin was the largest in well over 10 years. As I look to the future, a lot of the significant expenditures of the last few years have been drilling related. I think as our knowledge of the orebody increases and we're getting more satisfied with our understanding of the structural controls, yes, I see the expenditures for drilling tapering off, and those will be replaced by the various engineering-related studies that will ultimately support a new feasibility study decision.

I think when I look at the Company's burn rate that this year is probably a high water mark and we'll finish the year with still a substantial Treasury. As you noted, we've got \$25 million more coming in from Newmont next year. I still think we're in great shape to continue to move the project up the value chain.

Lucas Pipes:

In terms of order of magnitude, as you move into updated feasibility study and engineering work, what's the order of magnitude we should think about on a 12 month basis or so, as you complete those studies?

Gregory Lang:

Yes, we typically provide that level of detail with our 2023 budgets which would occur later in the year, but in a general sense, I would think that this year is—the expenditures going forward, I do not expect them to exceed what we spent this year.

Lucas Pipes:

All right. Greg, really appreciate the colour. Thank you, best of luck.

Gregory Lang:

Thank you, Lucas.

Operator:

Showing no further questions, this concludes the question-and-answer session. I would like to turn the conference back over to Greg for any closing remarks.

Gregory Lang:

Well, again, thank you everybody for taking the time this morning to get an update on the Donlin Gold project and on NovaGold. Take care.

Operator:

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