



NOVAGOLD Resources Inc.

First Quarter 2023 Financial Results

Conference Call and Webcast Transcript

Date: April 5th, 2023

Time: 8:00 AM PT

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

Greg Lang
President and Chief Executive Officer

David Ottewell
Vice President and Chief Financial Officer

Dr. Thomas Kaplan
Chairman

Operator:

Welcome to the NovaGold 2023 First Quarter Financial Results Conference Call and Webcast.

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

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

Mélanie Hennessey:

Thank you, (Inaudible). Good morning, everyone. We are pleased that you've joined us for NovaGold's 2023 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 on the phone and by email. Additionally, we will respond to other questions received subsequent to the call 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 President and CEO, Greg Lang. Greg?

Greg Lang:

Thank you, Mélanie, and good morning, everyone.

All of us at NovaGold take great pride in the fact that we have been laser-focused and very successful on executing the strategy set forth by our Chairman and myself over a decade ago, namely to unlock NovaGold's high quality assets for our shareholders and dedicate our energy to creating the maximum

leverage from a pure gold play on a unique endowment that is the Donlin Gold project. This has been a foundation of our investment thesis.

As shown on Slide 5, we have been steadily advancing Donlin Gold up the value chain in various areas over the past decade. These areas include: the completion of the 43-101 Technical Report and the update to the second feasibility study, the receipt of a joint record of decision from the Army Corps of Engineers and the Bureau of Land Management, as well as other major federal permits. Most recently, we completed the largest drill program at Donlin in over 15 years.

We believe that the Donlin Gold project is truly best-in-class in its combination of attributes, which are shown on Slide 6. Possessing the unique combination of industry-leading size, grade, and excellent exploration potential which will move the needle in our gold industry, and all of this in a safe and time-tested jurisdiction. Alaska is a great location to develop, build, and operate a mine, for many generations to come. In my view, it really is the ultimate company-maker.

As currently envisioned, Donlin will average over a million ounces per year of production, for 27 years. When looking at the other developer groups, as shown on Slide 7, Donlin is by far and away the largest gold production continuing to climb for most of the top producers. I think it's clear, the industry needs projects which stay upgrading, and longevity to sustain themselves.

As shown on Slide 8, with twice the industry average grade from open pit once in production, Donlin would be one of the lowest-cost producers in the gold industry.

Turning to Slide 9, the leverage to a higher gold price is exceptional at Donlin. The after-tax NPD at today's gold price is over \$7 billion, at a 5% discount rate, for \$22 billion undiscounted.

The great exploration potential is another remarkable attribute. ACMA and Lewis projects, as shown on Slide 10, occupy less than half of an eight kilometre mineralized gold belt, which itself is located on less than 5% of Donlin's land position.

A testament to the excellent exploration potential were the results from last year's program. As shown on Slide 11, the top 20 intersects returned some of the best assay results seen to-date, and at Donlin,

and the best reported in the entire industry last year. For example, Hole 2068 in the Divided group returned 42 metres and over 30 grams, including a subinterval at 23 metres, at 54 grams. As highlighted on Slide 11, incredible upside exists to increase ounces and extend the mine life.

Location is truly key. Having great leverage in a place where you can keep the fruits of your leverage is worth the investment in time and in resources. On the map included on Slide 12, we feature some of the top three gold-producing operations in the world and the five largest gold development projects.

As private landowners, both Calista and TKC are dedicated to developing Donlin Gold in a way that remains consistent with the elders' vision of responsible development and of creating jobs and economic benefits for the surrounding communities, as well as protecting the local culture. A few folks are provided on Slide 13 from the leaders of both Alaska Native Corporations. Their knowledge, guidance, and engagement are extremely valuable in ensuring responsible and sustainable economic development throughout all phases of the Donlin Gold project.

I will now touch on some of the milestones that were achieved, and the key activities of the first quarter. The Donlin Gold 2023 field program commenced early in the year to complete the necessary fieldwork and geotechnical drilling required for the Alaska Dam Safety certificate applications. Additional work included onsite hydrological drilling to further define the flow of groundwater in the areas of the planned Donlin pit and surrounding infrastructure to support mine planning and design.

Donlin Gold prioritizes local hiring, and invests in supporting the communities throughout the Y-K region. During the first quarter of our 2023 field program, we had a total workforce of 44 direct hire employees, most of which are from the project region. This is a continuation of the success in Donlin's local hiring program, which was initiated very early on during the exploration phase.

Our focus off-site is four key areas, as shown on Slide 16. First, mine optimization. We are finalizing the updated geologic and resource models with the drill results from the last 10 years, and we are incorporating those into the key project assumptions, inputs, and design components for optimization. Ultimately, this supports the decision to proceed with an updated feasibility study.

Community engagement, which is also a very active area of ours, working alongside with our Alaska Native Corporation partners.

Permitting; we continue to advance our permits through the regulatory process and supporting the state in maintaining the existing permits. We're also very active with the bipartisan outreach to the Biden administration, members of the U.S. Congress, and the state administration of (inaudible 10:53).

Assisting and partnering with local communities in the region has been a constant focus at Donlin, working in concert with Calista and TKC to provide critical support. As shown on Slide 17, Donlin was premier sponsor of the Iron Dog Race, and is part of the Alaskan Safe Riders Program. Also, in collaboration with Covenant House and Bethel Community Services, Donlin is developing an action plan to help address the chronic and ongoing food insecurity, housing and other issues, just to name a few.

In partnership with the Alaska Native Tribal Health Consortium, Donlin is advancing efforts to improve the overall health and safety standards on water and sewage services, in the Middle Kuskokwim villages. In collaboration with TKC and the village at Crooked Creek, Donlin provided financial support for the construction and maintenance of ice roads that allowed winter travel between the remote communities. On average, a total of 300 miles of ice road was constructed and maintained thanks to this program.

Advancing educational opportunities in Alaska is another priority for the Company. We recently awarded the first NovaGold scholarship at the University of Alaska to an undergraduate student studying geological engineering. We also support the Alaska EXCEL program, a non-profit providing educational support for rural youth across the region.

In March of this year, we released our 2022 Annual Report, which features a special conversation between Dr. Kaplan and Daniela Cambone, Editor-at-Large and host of the Daniela Cambone Show on Stansberry Research, and shown on Slide 18. Their discussion covers a broad range of topics, including geopolitics, history, markets, and opportunities in the gold space, and central banks as the largest buyers of gold, both presently and historically, and the corresponding upside for the premier development stones (phon 13:30).

The interview was recorded at New York Stock Exchange, and a full transcript is available in our Annual Report. Those interested in watching the video can access the interview on our website, novagold.com.

With that, I will now turn the call over to our CFO, David Ottewell. Dave?

David Ottewell:

Thank you, Greg.

Slide 20 highlights our first quarter operating performance. We reported a net loss of \$10.7 million in the quarter, a \$0.7 million increase due to increased interest expense on the promissory note, higher Donlin permitting costs, higher corporate and legal expenses, partially offset by increased interest income and income from the 2021 sale of our interest in the San Roque mineral property.

First quarter cash flows are highlighted on Slide 21. Cash decreased by \$9.7 million, primarily to fund our share of Donlin, and for corporate administrative expenses. The decrease in cash used in the first quarter of 2023 compared to 2022 was due to the timing of corporate liability insurance payments in 2022, withholding tax paid on share-based compensation in 2022, and proceeds received in 2023 for the sale of San Roque.

No shares were issued in the first quarter of 2023 for the PSUs granted in December 2019, as the Company's share performance over the three-year period was below the minimum performance criteria relative to the global gold index.

On Slide 22, we note our strong Treasury. Our financial position includes cash of \$54 million, term deposits of \$62 million, and \$25 million due from Newmont in July of 2023. For the full year, we continue to expect to spend \$31 million, including \$17 million at Donlin, \$13 million for corporate G&A, and \$1 million for working capital.

I'll now turn the presentation back over to Greg. Greg?

Gregory Lang:

Thank you, Dave.

Turning to Slide 23, the focus of our activities this year will be, one, updating the geologic and resource models; continuing fieldwork; collecting geotechnical and hydrological information to support the Dam Safety applications, reviewing key project assumptions and inputs, and designing components for optimization in mine engineering, metallurgy, and infrastructure. We'll continue to advance current permits through the regulatory process and support the state in defending the existing permits. Lastly, we will continue to engage, maintain, and grow support for the project in the region.

NovaGold has been blessed with long-term and supportive shareholders, comprising many of the most respected names in the investment world, whose presence and counsel have been invaluable. Some of these are listed on Slide 24. We are grateful for their decision to invest in the Company and for their continued interest and engagement. We affirm to all of them, and as stewards of the Company, we continue to be focused on delivering on our strategy and enhancing the value of the Donlin Gold project, increasing both shareholder and stakeholder well, in a safe and socially responsible manner.

We've positioned the Company to enjoy the fruits of this unique leverage on what we believe is one of the best-positioned gold development stories in the marketplace. I look forward to continuing to deliver on our promises, and keeping an open line of communication between us as we reach even more milestones in 2023.

I will now turn the call over to the Operator and open it up for questions.

Operator:

Thank you.

The first question comes from Mike Parkin of National Bank. Please go ahead.

Michael Parkin:

Hi guys, thanks for taking my questions.

It might be a bit early to speak on this, but I'm just wondering like what some of the higher level trade-off studies might be considering as you move forward in 2023? Just looking for some sense of some of the bigger delta items that you're looking at for the project. Thank you.

Gregory Lang:

All right. Mike, yes, I'll take that question. Thank you for your interest, Mike.

The trade-off studies have been primarily focused on infrastructure, but we've also focused on the gas pipeline and just other—the big key cash components for the capital. But in addition to the infrastructure, we've done some fine-tuning work looking at options on flotation, and did a lot of validation work back on the flow sheet and other parameters of the project.

But we're also looking at optimizing the mining based on the great drill results we've had this year, specifically what opportunities are out there to enhance the grade by doing more selective smaller mining. Clearly, we've demonstrated that the high grades really do exist at the Donlin (inaudible 20:25). We look forward to updating everybody on the study since we reacted our conclusion.

Michael Parkin:

Great, thanks, Greg, for that.

Mélanie Hennessey:

I have some questions that have come in via email. The first one will be for you, Greg. When would you expect the investment decision will be made on the Donlin Gold project?

Gregory Lang:

Well, let me give you the timeline on this study. As you know, we're wrapping up the various trade-off studies now while it's preparing the new geologic model. All of these studies, and some model will be presented to the Donlin Gold Board, or the (inaudible 21:13) in the next couple of months. I think we'll be in a position then to move that more specifically on the path forward.

Mélanie Hennessey:

Great, thank you.

The other question was, what's the all-in cost per ounce for the Donlin Gold project? That one is directed towards you, Greg.

Gregory Lang:

All right. The question was just on the all-in costs, and per our most recent refresher, the 43-101, the life of mine would average about \$630 an ounce. We would expect them to be a little bit more competitive and lower in the first few years of the mine life, due to the higher grade that we'd be mining and drilling. But very competitive costs (inaudible 22:05) lowest in the industry.

Mélanie Hennessey:

Great, thank you.

Before we proceed to the final question, we have Lucas Pipes on the line that is wanting to ask a question. Operator?

Operator:

The next question comes from Lucas Pipes from B. Riley Securities. Please go ahead.

Lucas Pipes:

Thank you very much, Operator, and thank you, Mélanie. Good morning, everyone. I started to ask my question, and Mélanie, I appreciate you opening up the queue there.

I wanted to ask about reserves and resources, in the context of the updated feasibility study? Would you expect changes to those measures, and then, would you anticipate any changes in the cut-off grade? Thank you very much for your perspective, Greg.

Gregory Lang:

All right. We operate at (inaudible 23:15) a couple of pieces with this. The drilling has really delivered some very nice grades, so I think if anything, they will slightly enhance the grade of the overall value and gold deposit. Most of this drilling is really dealing with our partners' due diligence. Donlin has been

the company to NovaGold for many years. We know the asset very intimately. The drilling and trade-off studies that we've been conducting, they've really been part of our partners' due diligence, and I think brought a—really, trade-off studies in the drilling have been insightful. I would say it's more validated than changed our view of the project. I think we also think, from a NovaGold point of view, that we've been a supportive partner. We've answered their geologic and due diligence curiosities, and I think certainly from my perspective, a next logical step for the elders is to proceed with the new feasibility study. That would be getting underway later this year.

Lucas Pipes:

Thank you very much, Greg, and to you and the team, continued best of luck.

Gregory Lang:

Thank you, Lucas.

Mélanie Hennessey:

We have two more questions from the line. The first is for Greg. You mentioned outreach to government in your comments. Do you detect any changes to the attitudes of Washington to the resource sectors as the world has changed since Biden was made President?

Gregory Lang:

Well, I think I'll speak to—I'll answer that, maybe from a Donlin perspective. Donlin has always maintained and nurtured bipartisan support, both in the state of Alaska and in our nation's capital. The Senators Murkowski and (Inaudible 25:16), U.S. Senators, are very, very staunch, have good support of the project. While the Biden administration has not always been supportive of mining projects, they certainly have been supportive of Donlin, and I think certainly with a mass of immigration, it was very supportive. The Biden administration recently approved the Natural (Inaudible 25:42). I think they're cautious, but I think they support responsible mine development and responsible resource development. (Inaudible 25:56) has really had no impact to these changes in administration.

Mélanie Hennessey:

Great, thank you.

The final question was for Dr. Kaplan. What is your view on the direction of the gold price over the next 12 to 24 months?

Dr. Thomas Kaplan:

Hello everyone. I hope that you can see me and hear me. Mélanie, can I assume that everyone can?

Mélanie Hennessey:

You can.

Dr. Thomas Kaplan:

Okay, great. Well, I think it's fair to say that I have been a long-standing gold hold for over 20 years. I've seen gold go from \$250 an ounce to \$1,900 an ounce in what I called wave one. We saw, for want of a better word, wave two as a correction that took gold from \$1,900 back to \$1,100. Now we're seeing wave three, which I believe is going to be a long wave.

I'm not saying that we're not going to have knuckle-whitening corrections along the way; that's the nature of the market. But I do believe that we're headed for a trajectory that could be marked by two aspects. First, a multiplication of the gold price; second, a long, long duration. In other words, wave one in gold, for 12 years, took gold to higher closes every year, regardless of the circumstances that we normally think are so determinative for gold.

There were times of interest rate fears, dollar fears, commodities fears, geopolitical stories, regardless of which way you were leaning in terms of the macros. Gold was up every year, year-on-year for 12 years. That's a bull market. If you see a stock go from \$2.50 to \$19 and it corrects down to \$11, you're not really shocked. But both of those waves are characterized by more than a decade in the duration.

The next wave in gold, maybe we're seeing it, maybe we need one more head stake (phon 28:47), I don't know. But the next wave in gold, I think, takes it to my long-term target of \$3,000 to \$5,000. I say long-term because I said that when gold was at \$250. The truth is that if gold were to go much higher, I would not be at all surprised.

One thing is very clear to me, and this pertains to the investment thesis for NovaGold. Gold is going to go up for the next 10 to 20 years. That's what the charts are telling us, and the charts, for a historian, are like looking at human brainwaves. You don't have to be a technician. I'm a fundamentalist, obviously, by definition, but being a historian, it's all about cycles, reversals, and the way that markets will carry on from the depths of despair to the heights of irrational exuberance.

We could see gold with five digits, easily. But in order to do that, we still have to get through \$3,000 to \$5,000. I'll update my estimates when we get there. But the point that I would want to mention to our shareholders is as follows.

I came into this story the beginning the first week in January, actually, December 31, 2008, when Electrum effectively took control as the dominant shareholder of NovaGold. NovaGold had been a Company that had gone through \$0.50 a share to \$20, and we had not participated in it, nor did we participate in shorting the stock. It's not something that we do, when it went from \$20 back to \$1, \$0.50 actually at one point.

The asset worked that the Company had multiple issues: class action lawsuits, environmental issues on assets not relating to Donlin, it had several different assets. There was a, as it were, diversified aspect to the story. The Management was discredited, there was no following. The balance sheet was terrible. Institutions couldn't budge it.

Electrum was able to do that because we're a family business, in essence. Our family, plus several large Arab sovereign wealth funds, and employee capital, and so we could catch the falling knife. We turned that story around.

We dealt with the environmental issues with the EPA by selling off a project. We spun off Galore to Newmont, realizing great value for the shareholders, making NovaGold a pure play on what we called the new Carlin or the new Nevada. We settled the class action lawsuits. We changed the entire Management team, culminating in being able to get the president of Barrick North America, who knew the asset better than anyone else, who'd been on the other side of the table when Barrick made a failed hostile takeover here.

We brought in Richard Williams, who had built at Pueblo Viejo, the largest investment ever made by Barrick, and something which Barrick talks about even expanding now, in the Dominican Republic.

The stock went back to \$15 within the space of a couple of years. Obviously, the last decade has been very, very (inaudible 45:07) for the gold mining of shares. We haven't been immune to that; we're not unusual in that respect. The ratio of gold to gold mining equities is pretty much as low as it's ever been.

What I would say is this, several things. Number one, we're in a bull market in gold. Number two, it's going to last for a very long time, well over a decade. Number three, we will see a revaluation of gold assets. Number four, I've been in the story for 14 years, and contrary to suffering from any form of deal fatigue, I'm more excited about Donlin than ever before.

I'd like to explain why, because it ties into a bow some of the other core aspects which I just mentioned. We're in a very, very different world. My friends, shareholders and my colleagues, those who follow NovaGold, let me be very, very blunt. The era of the frontier mentality, the era where geology trumps geopolitics is over. Over. The assets that will achieve the premium valuations, which will be valued like they were before the frontier spirits took hold when Newmont went to Yanacocha and the go where the gold is mentality became prevalent.

At that time, people forget, U.S. assets were valued using a 0% discount rate because they were the height of political safety. They were arbitrated with the less politically safe jurisdictions, Canada, Australia, and South Africa. The world is very, very different now.

I happen to believe that in almost everywhere, other than in North America, Australia, and a few jurisdictions, the gold mines will be nationalized. Gold is money. You don't have to be a gold bug to believe that. It's money because the central banks say it's money, and they are the ultimate insider traders. The fact that central banks no longer sell gold but are massive net buyers—and I'm talking smart money: the Chinese, Singapore. Not to mention other countries that fear being part of the U.S. dollar system only, and they've seen that that has its own hazards.

The era when people could go all over the world and think that they're going to mine gold and not have a gun put to their head to change those agreements, they're over. I made my bones in Bolivia. I made my bones in Zimbabwe, South Africa. I sold Kibali to Mark Bristow. I know what it's like operating in these areas, and I admire those who still do it, but there's no way that one can go to sleep at night feeling comfortable when you wake up in the morning that you're going to own the same thing that you owned the night before. Gold is money, gold will be nationalized, and jurisdiction will be everything.

That brings us back to Donlin. Let's understand what Donlin is. Let's understand why it's the best buy in the gold (inaudible 37:04). Let's understand why, when people have really caught on to the fact that gold has embarked upon another long wave, they're going to be asking their brokers, "Hey, can you give me a company which has an excellent Management team and a fantastic asset, and it's located in a part of the world where I would be willing to take a vacation?"

There aren't that many places left. There's Nevada, there's Alaska, there's Australia. There are a few other places; you might want to go to Finland. But the reality is that the rule of law is going to be sacrosanct. Institutional investors are going to gravitate towards those very few go-to stocks which are in places where the rule of law is not a novelty, and where they don't eat here, literally or figuratively. By that standard, in addition to the fact that in terms of the size, the grade, the mine life, the exploration potential, the low operating costs which come from higher grade.

The safety of Alaska is determinative. If you believe and you're a bull in gold, you want to be in safe places. If you want octane in your portfolio, you want to have a development stage story. We believe we are the go-to stock in that space. We believe that we are on the cusp of being able to go to the next level. We've got a project which has got all the right attributes. We've positioned it as a pure play on a district that is a gift that keeps giving.

Those exploration results were amongst the very best in the entire gold industry. I don't believe that there's any major mining company in the world that wouldn't want to own Donlin. In fact, I'm pretty sure that in the gold space, everyone understands that it is the best-in-breed project.

We will be advancing this up the value chain, but there's something that you also have to remember. The real money is made in this space, and I've now been doing it for 30 years, by the quality of the asset that you own. We will one day be in production, there's no question about that. This is going to be built. But that doesn't mean that we can't also be the highest-rated stock in the space. Every month that goes by, more and more countries are asking the companies that are invested there to give more money, to rework their sovereign agreements.

The jurisdictional aspect, combined with a bull market in gold, means that for us as investors, Donlin is truly the Holy Grail. I have no doubt that we can see a 10x on this stock, as every day, every week, the story gets better and better and better. Partly because we're moving the project forward, and partly because, as I started by saying, we live in an entirely different world. It's all about being able to have the greatest leverage to gold in a jurisdiction that will allow you to keep the fruits of the leverage. If you can't combine those two attributes, you're a dead man walking. If you can combine those attributes, you're going to make a killing in the market.

For me, if I didn't think that that was the case with NovaGold and Donlin, I'd put it in play and we'd sell it to pivot to something better. But I genuinely don't believe that there is anything better out there in this space. Thank you.

Gregory Lang:

Thank you.

Mélanie Hennessey:

Thank you, Tom.

We have a few more questions that have come on via the webcast. I will ask, and the first one is directed to Greg. What are the goals of the next feasibility study, and will there be another future feasibility study before breaking ground?

Gregory Lang:

I think the goals of the feasibility study, you're pretty (inaudible 41:45). We're going to update our geologic understanding of the orebody, update the current trade-off studies we're doing, and use that knowledge to define the most optimal project to take (inaudible 42:03) in their feasibility study.

But yes, I think the question on will there be a new feasibility study? Absolutely. The existing study is scaled, and our thinking on the project, from primarily building it in stages, is crystallizing. All of the learnings of the last couple years and the drilling will be incorporated into the new study to deliver the (inaudible 42:30) project for the shareholders.

Mélanie Hennessey:

Great, thank you.

The final question, and it also came via the webcast, is, given our current cash burn rate, do you have sufficient funds to last for the next 24 months?

Gregory Lang:

Yes, the question...

Mélanie Hennessey:

(Multiple speakers 42:52).

Gregory Lang:

Absolutely. The feasibility, or it actually will be U.S. dollars to the owners to do the drilling. Drilling is a fairly costly activity, and our budget last year at Donlin was the highest in many years, and that was \$60 million in total or \$30 million to each partner. Going forward, our beneficiary is less than that, but when we embark on a new feasibility study, we'll of course update the budget. But in total, the feasibility study and engineering would be less than the burn rate we had on our drilling program for the last two years.

Yes, clearly we've got, at those burn rates, we had sufficient cash to see us through the completion of a new feasibility study and onto a conception decision, so no need to raise equity until then.

Mélanie Hennessey:

Thank you, Greg. That wraps up the Q&A session. Back to you.

Gregory Lang:

All right, I want to thank you for taking the time to get an update on NovaGold. Stay safe.

Operator:

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

Gregory Lang:

Thank you, everybody, for taking the time to join our call this morning. We look forward to updating you in the coming months as our work progresses. Thank you.

Operator:

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