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NG.TO - Q1 2016 NovaGold Resources Inc Earnings Call

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John Bridges *JPMorgan Chase - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the NOVAGOLD first-quarter 2016 conference call and webcast. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. (Operator Instructions). I would now like to turn the conference over to your host, Melanie Hennessey. You may begin.

Melanie Hennessey - *NOVAGOLD Resources Inc. - VP, Corporate Communications*

Thank you, Melissa and good morning, everyone. Thanks for joining us to get an update on NOVAGOLD's first-quarter results and also to hear about the Donlin Gold and Galore Creek project updates. Today on the call, we have Mr. Lang, NOVAGOLD's President and CEO and David Ottewell, NOVAGOLD's Vice President and CFO.

At the end of the presentation, we will have time for Q&A by phone and by email, but before we get started, we would like to remind all of you that some of the statements may contain forward-looking information for which the risks are detailed in our various EDGAR and SEDAR filings and also in our forward disclaimers that are included in this presentation.

With that, I have the pleasure of introducing Mr. Lang, NOVAGOLD's President and CEO. Greg.

Greg Lang - *NOVAGOLD Resources Inc. - President & CEO*

Thank you, Melanie and good morning, everyone. For those who are less familiar, NOVAGOLD is a development-stage company with two great assets in North America. Our flagship Donlin Gold Project, which we co-own with Barrick, is well into permitting and poised to become one of the largest producers in the industry.

Galore Creek, which is held in 50% partnership with Teck, is expected to be one of the largest and lowest-cost copper mines in Canada.

In the first quarter, meetings were held with the Corps of Engineers across the Y-K region as part of the Donlin Gold draft EIS public comment period. This is no small feat considering that the Y-K region is comparable in size to the state of Idaho. At each meeting, the Corps presented an overview of the draft EIS, which evaluates the potential environmental, social and economic impacts of the proposed project, and encouraged local residents to communicate what the project means to them and their families. The meetings are expected to conclude in the second quarter and all the comments will be reviewed and responded to by the Corps in the final EIS, which is anticipated to be published in 2017. While actively participating in the EIS, Donlin Gold has also advanced other major permit applications and approvals.

At Galore Creek, we continue to work with Teck on technical studies, mine planning and design. Phase 1 of the tunneling practice study is also underway to evaluate alternatives for this undertaking.



Through our investments in Donlin Gold and Galore Creek, NOVAGOLD remains an active member of the local communities where we operate. For the sixth consecutive year, Donlin was a principal sponsor of the Iditarod Sled Dog Race completed in Nome, Alaska. We'd like to take this opportunity to recognize Pete Kaiser, a resident of the Y-K region that we sponsor, who placed fifth in the race this year. This race is truly a test of endurance and determination. Additionally, Donlin Gold continued as a premier sponsor of the Iron Dog 2016, a 2000 mile long snowmobile race. In Northern British Columbia, Galore Creek continues to sponsor and participate in a number of Tahltan community activities. At this stage, I will turn it over to Dave to cover our financials.

Dave Ottewell - NOVAGOLD Resources Inc. - VP & CFO

Thank you, Greg and good morning, everyone. Turning to slide 6, our share of Donlin Gold and Galore Creek funding totaled \$2.1 million for the quarter as we expected. For the full year, we continue to expect to spend approximately \$10 million to fund Donlin Gold and Galore Creek.

Slide 7 highlights our first-quarter operating performance. For the quarter, we reported a \$1.8 million decrease in operating loss, approximately 16% lower than the prior-year quarter. General and administrative expense was lower, primarily due to lower corporate communication and share-based compensation costs and a stronger US dollar in relation to the Canadian dollar. Also, our share of expenses at Donlin Gold and Galore Creek was \$400,000 lower than in the prior-year quarter.

NOVAGOLD's cash flow highlights are outlined on slide 8. During the first quarter, our cash and term deposits decreased by \$9.8 million as planned and similar to the prior-year quarter. Cash spending is higher in the first quarter each year to settle our year-end accounts, including professional fees and annual employee incentive programs. We ended the quarter with cash and term deposits totaling \$117 million and continue to expect to end the year with over \$100 million. Greg, back to you.

Greg Lang - NOVAGOLD Resources Inc. - President & CEO

Thank you, Dave. Our Donlin Gold Project has all the key attributes that are required of a modern cost-effective mine. Starting with size, Donlin is one of the largest undeveloped gold deposits in the industry and our shareholders look at this as an unexpiring warrant on an ounce of gold. Its size and scale are unmatched in the gold industry.

When you compare Donlin to the other undeveloped gold deposits, it's far and away the largest and many of the other development stage projects are located in some very challenging jurisdictions. At 1.5 million ounces a year, its production profile would make it the largest gold mine in the industry if it was built today.

The other attribute that really separates Donlin from other undeveloped deposits is its grade. At 2.2 grams per tonnes, Donlin is one of the highest large-scale open pit deposits in the industry. It's this quality that really distinguishes Donlin from other recently developed gold mines.

Yes, it's a big deposit, but it's still got a lot of room to grow. Looking at this illustration, we've only extensively explored less than half of the gold-bearing system. When the time is right, we will resume exploration and have the potential to significantly add to our reserves and resources.

Donlin also brings the project and our shareholders tremendous leverage to rising gold prices. The project has modest marginal returns at today's prices that go up substantially in a rising price environment and we think that that rising price environment is just resuming its upward path.

We've got great partners on Donlin. We've been working hand-in-hand with Barrick as we've advanced the permitting of this asset while conducting ongoing technical studies to enhance the value of the asset. Neither of us has a build-it-at-any-price mentality. When the time and the markets are right, we will make a construction decision.

Slide 15 provides an overview of the development schedule, as well as outlining our key permitting milestones. We are past the halfway point in the public comment period and when you look at the investment in time it takes to get a project to this stage, we think the four years in permitting is just a minor part of the timeline.



Permitting in the United States is a very public process. We welcome the input from local stakeholders. We are out there actively in the villages encouraging people to participate in the process. This project will be a core economic force in the Y-K region and it will fulfill the promise of the Alaska Natives Claim Settlement Act to provide economic prosperity for Alaska natives through responsible development of their land. Their voice is an essential factor in determining the future of this project.

Our other great asset, Galore Creek, on slide 17, is a tremendous copper, gold, silver deposit that's somewhat lost in the shadow of Donlin, but it's a great asset. We are working on advancing this at a fairly measured pace with our partner and when the time is right, we will monetize this asset to further strengthen our balance sheet.

On slide 18, NOVAGOLD is an institutional quality gold stock. Over half of our outstanding shares are with our major shareholders, many of whom have been in the Company for a long time. So why would you look at this Company now? We are in great shape financially. We've got top tier assets in safe jurisdictions and we will be a significant gold producer in a few years time. Thank you. We will now open the line for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions). John Bridges, JPMorgan.

John Bridges - JPMorgan Chase - Analyst

Just wondered what sort of topics were coming up in the meetings and how those meetings were going in general?

Greg Lang - NOVAGOLD Resources Inc. - President & CEO

John, the topics that have come up in the public meetings were largely as we expected. Barging remains a significant issue as people are concerned about the potential impacts on the subsistence fishing on the river and we've worked with the Corps of Engineers to address those issues. And I think other issues that have come up are pretty typical of large-scale industrial activity like this. People want to know about mercury controls and other means that the project will take to protect the environment. But nothing really surprising, John.

John Bridges - JPMorgan Chase - Analyst

No surprises is good, right?

Greg Lang - NOVAGOLD Resources Inc. - President & CEO

That's what we think.

John Bridges - JPMorgan Chase - Analyst

Just wondered also, your partner has been talking about phase 1 scale of operations. I know you are working on it. I just wondered if there was any new development there that you could talk about.



Greg Lang - NOVAGOLD Resources Inc. - President & CEO

John, no, we are working actively with Barrick on different development scenarios, nothing that we are really ready to bring out into the full light of day yet, but it's a very cooperative spirit with Barrick and I think stage development is really nothing new. When people look back at other large-scale operations, Goldstrike among them, that was built in a series of phases over many years and a staged approach on Donlin may make sense a year and a half from now. A lot of it, of course, will depend on gold prices and market conditions, but we are focused on getting our big project approved and when we've got that behind us, we will look at what makes the most sense to take forward.

John Bridges - JPMorgan Chase - Analyst

Okay. Interesting. Best of luck, Greg, everybody and I will get out of the way. Thank you.

Greg Lang - NOVAGOLD Resources Inc. - President & CEO

Thank you, John. Appreciate you participating in the call today.

Operator

(Operator Instructions).

Greg Lang - NOVAGOLD Resources Inc. - President & CEO

All right, everyone. Thank you for participating in our call this morning. There being no further questions, we will close the line.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone have a great day.

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