

NOVAGOLD Annual General Meeting Conference Call and Webcast Transcript

Date: Friday, May 13 2016

Time: 1:00 PM PT

Speakers: **Thomas Kaplan**
Chairman

Gregory Lang
President and Chief Executive Officer

David Ottewell
Vice President and CFO

OPERATOR:

Welcome to the NOVAGOLD 2016 Annual General Meeting of Shareholders Conference Call and Webcast. As a reminder, all participants are in listen-only mode and the conference is being recorded. Should anyone need assistance during the conference call, they may signal an Operator by pressing star, and zero on their telephone. Please direct any questions for NOVAGOLD to info@novagold.com, or call Investor Relations at 1-866-669-6227. The Company will respond as quickly as possible to any queries.

At this time, I would like to turn your attention to the Blake, Cassels & Graydon office in Vancouver where the NOVAGOLD 2016 Annual General Meeting of Shareholders will begin momentarily. Thank you.

GREGORY LANG:

Good afternoon, everyone. My name is Greg Lang. I'm the President and CEO of NOVAGOLD. Thank you for attending this Annual Meeting of Shareholders of NOVAGOLD Resources, Inc. We thank all of our shareholders, our partners, associates, and employees for your support, and a special thank you to those who are here today that traveled to attend this meeting. We are grateful for your interest and support.

A few housekeeping items. Please turn your phones to silent mode. For those of you in the room today, please note that in case of an emergency, the closest exit can be found at the stairwell opposite the reception area, and the muster point is outside in front of Towers 2 to 4.

As part of the agenda today, Dave Ottewell, Vice President and Chief Financial Officer of NOVAGOLD, will begin by taking us through the official business portion of the meeting. Dr. Thomas Kaplan, the Chairman of the Board of Directors will make a few remarks about gold and about the Company. I will then follow up with an overview of our 2015 results and the outlook for the balance of 2016, and then we will have a question-and-answer period. David?

DAVE OTTEWELL:

Thank you, Greg. Good afternoon, everyone. Should anyone present need a copy of the proxy or the Management Information Circular, we have additional copies available at the registration desk. If there are any NOVAGOLD shareholders as of the record date of March 14, 2016 who are present

today that have not yet registered with Computershare at the registration desk or deposited a proxy, please do so now.

I would like to take this opportunity to introduce our Directors to you. If each of you could please identify yourself when your name is called. Sharon Dowdall, Dr. Marc Faber, Dr. Thomas Kaplan, Greg Lang, Gillyeard Leathley, Igor Levental, Gerald McConnell, Clynton Nauman, Rick Van Nieuwenhuyse, and Anthony Walsh. Kalidas Madhavpeddi could not be here today. Many thanks to our Directors for taking time out of their busy schedules to be with us today.

The meeting will now come to order. Pursuant to the Articles of the Company, Greg Lang, President and CEO, will act as Meeting Chairman; and I, Dave Ottewell, Vice President and Chief Financial Officer of NOVAGOLD will act as Meeting Secretary. With the consent of the meeting, the Chair appoints Jenny Karim of Computershare Investor Services as the scrutineer.

The notice calling this Meeting of the Shareholders was mailed by the Company's transfer agent, Computershare Investor Services, Inc., to all shareholders of record as of March 14, 2016. The declaration of Computershare as to such mailing is available for inspection by any shareholder. I will append the declaration as a schedule to the minutes of this meeting.

As the scrutineer has completed the tabulation of the shareholders present in person, or represented by proxy, I will read the report of the scrutineer to the meeting. There are 241 shareholders holding 259,716,288 shares; representing 81.24% of the shareholders at the meeting. A quorum for the meeting of NOVAGOLD shareholders is achieved if at least two shareholders are personally present or represented by proxy at the meeting and those shareholders hold not less than 25% of the issued shares of the Company entitled to vote at the meeting.

The report of the scrutineer indicates that a quorum is present, and as notice has been properly given, I declare this meeting regularly and duly called and constituted for the transaction of business.

There are five formal items before the meeting today. One to verify the minutes of the 2015 Annual Meeting of Shareholders; two, to receive the Annual Report of the Directors containing the consolidated financial statements of the Company; three, to elect the Directors for the forthcoming year; four, to appoint the Company's Auditor and to authorize the Directors through the Audit

Committee to fix the Auditor's remuneration for the forthcoming year; and five, to consider and, if deemed appropriate, approve a non-binding resolution approving the compensation of the Company's named Executive Officers.

The minutes of the Annual Meeting of Shareholders held on May 14, 2015 are available for perusal by any shareholder. The Chair will entertain a motion to take the minutes as read and verified. Do I have such a motion?

MALE SPEAKER:

(Inaudible 6:49)

DAVE OTTEWELL:

Do I have a second?

MALE SPEAKER:

I'll second it.

DAVE OTTEWELL:

Thank you. Is there any discussion on the motion? All in favour, please signify by raising your right hand. Any contrary? Carried.

We will now present the Annual Report of the Directors containing the consolidated financial statements of NOVAGOLD for the year-ended November 30, 2015, together with the Auditor report thereon. A copy of the financial statements was mailed to each shareholder of record who specifically requested a copy. Extra copies are available at the registration desk. The Chair will entertain questions on the financial statements of the Company. Are there any questions?

If there are no questions, we will move on to the next item of business.

The next item of business is the election of Directors. The Board of Directors determined that the business of the Company can be properly conducted by a Board of Directors consisting of 11 Directors. The following 11 individuals are proposed as nominees to the Board of Directors as set out in the Management Information Circular: Sharon Dowdall, Dr. Marc Faber, Dr. Thomas Kaplan, Greg

Lang, Gillyeard Leathley, Igor Levental, Kalidas Madhavpeddi, Gerald McConnell, Clynton Nauman, Rick Van Nieuwenhuyse, Anthony Walsh. These proposed nominees have all been contacted and all consent to their nomination to the Board. Can I have a motion nominating these 11 individuals for election as Directors of the Company to hold office until their successors are duly elected or appointed? Do I have such a motion?

MALE SPEAKER:

I move the motion.

DAVE OTTEWELL:

Do I have a second?

MALE SPEAKER:

(Inaudible 8:35)

DAVE OTTEWELL:

There being no more nominations, I declare the nominations closed. Given the majority voting policy adopted by NOVAGOLD's Board, a poll will now be taken on this matter. Any registered shareholder present who wishes to cast a ballot may do so, unless such shareholder has already provided a proxy.

Those shareholders who have already given proxies need not vote again and should not vote again using the ballot, unless they first sign a revocation of proxy. Ballots and revocation forms were made available by Computershare at the registration desk. If you are entitled to vote on this matter but did not receive a ballot, please raise your hand and the scrutineer will provide you with one.

On the ballot you will find the names of the 11 Management nominees. Please indicate beside the name of each nominee whether you vote for or withhold your vote for such nominee by marking an X in the appropriate spot. Once you have completed the voting, please raise your hand and the scrutineer will collect your ballot. We will now cast ballots for the proxies which we hold.

The ballots have been now collected and I will report the results of the poll when the scrutineers complete the vote tally.

The next item of business is to appoint the Auditors of the Company to hold office until the next Annual Meeting. The Chair will entertain a motion that PricewaterhouseCoopers LLP, located in Vancouver, British Columbia, be appointed Auditors of the Company to hold office until the next Annual General Meeting, or until their successors are duly appointed, and that the Directors through the Audit Committee be authorized to fix their remuneration. Do I have such a motion?

MALE SPEAKER:

(Inaudible 10:19)

DAVE OTTEWELL:

Do I have a second?

MALE SPEAKER:

I'll second it.

DAVE OTTEWELL:

Thank you. All in favour, please raise your right hand.. Any against? The motion is carried.

I now declare that PricewaterhouseCoopers LLP be and are hereby appointed Auditors of the Company to hold office until the next Annual Meeting of Shareholders or until their successors are duly appointed, and that the Directors through the Audit Committee are hereby authorized to fix their remuneration.

The next item of business is to consider, and if thought fit, approve a non-binding resolution approving the compensation of the Company's named Executive Officers. The Company's compensation discussion and analysis is contained on Pages 27 through 44 of the Management Information Circular. The full text of the proposed non-binding resolution approving the compensation of the Company's named Executive Officers is set out on Page 9 of the Management Information Circular. Do I have a motion to approve the non-binding resolution approving the compensation of the Company's named Executive Officers?

MALE SPEAKER:

(Inaudible 11:25)

DAVE OTTEWELL:

Do I have a second?

MALE SPEAKER:

(Inaudible 11:27)

Thank you. Is there any discussion on the motion?

I will now ask all who are in favour of the non-binding resolution approving the compensation of the Company's named Executive Officers to raise your right hand. Any against?

I therefore declare that the non-binding resolution approving the compensation of the Company's named Executive Officers carried by a majority of the votes cast on the resolution.

I have received the results of the ballot on the election of Directors from the scrutineer. I declare Sharon Dowdall, Dr. Marc Faber, Dr. Thomas Kaplan, Greg Lang, Gillyeard Leathley, Igor Levental, Kalidas Madhavpeddi, Gerald McConnell, Clynton Nauman, Rick Van Nieuwenhuyse, and Anthony Walsh elected as Directors of the Company to hold office until the next Annual Meeting of the Shareholders of NOVAGOLD or until their successors are duly elected or appointed. Details as to the votes for or withheld from voting for each individual nominee will be disclosed in the manner provided for in the majority voting policy.

The formal items of business have now been dealt with. Is there any further business?

As there is no further business, the Chair will entertain a motion to conclude the meeting. Do I have such a motion? Do I have a second?

MALE SPEAKER:

(Inaudible 12:56)

DAVE OTTEWELL:

All in favour? Against? The motion is carried. The formal portion of the meeting is now concluded. Thanks to everyone for your attention.

Now, it's my great privilege to introduce Dr. Thomas Kaplan, Chairman of NOVAGOLD.

DR. THOMAS KAPLAN:

Thank you Dave. The privilege is actually mine to be able to be the Chairman of a Company that I believe is in the right place at the right time with the greatest gold asset on the planet. But first I'm going to take a step back and we're going to talk about why gold. There are many, many, many reasons why people argue that gold moves one way or the other. I'm going to point out one fact. The fact is from the time that gold bottomed at \$250 to the \$1,900 level that it reached, for 12 consecutive years, gold ended higher at the end of the year than it had the previous year for 12 consecutive years. I call that leg one of the bull market and my belief is that what we're experiencing now is a pullback within that bull market. If a stock went from \$2.50 to \$19.00 and pulled back to \$10 or \$11 on its way beyond \$19 and perhaps to \$29 or \$39, nobody would be surprised.

I don't think anyone should be surprised by gold either. The thing that should surprise people is that gold managed to go up for 12 years consecutively. Now think about that for a moment. During those times, there were periods where you had inflation fears, deflation fears, strong dollar, weak dollar, strong oil, weak oil, strong commodities, weak commodities, geopolitical stability, geopolitical disruption, and yet for every year gold continued to go up. So, all of those things that people would usually label as being determinative on what should happen to gold because it's an inflation hedge or it's a hedge against war, any of the other horsemen of the apocalypse, the fact is it kept on going up.

I believe that the reason to own gold is that shedding, stripping away the emotional aspect of the reasons why people own gold is just the fact that it's an industry in distress and in turmoil, one that is going to produce some really great winners and others which will probably disappear. The fundamentals for the gold industry are very challenged now, and all of the reasons why the gold industry is challenged I believe play to the great strengths of Donlin and of NOVAGOLD. So, let's start out some of the facts.

The fact is that it's very hard to find gold. In fact, for the first time in many, many years there have been no significant discoveries that being one defined as being over 3 million ounces of gold. At the

same time, the major mining companies are producing gold faster than they can replace their reserves. So, from a supply standpoint, you're seeing an industry in turmoil. By the way, it used to be that if there were supply disparities they could be filled by central banks. Well, since 1971 central banks were net sellers of gold when the United States demonetized gold as being the backing for the U.S. dollar. Four or five years ago that changed. Now central banks are net buyers of gold. So, you have central bankers who are net buyers of gold at exactly the same time as they are printing money like it's going out of style. The companies that mine money can't find it and the central banks that print it can't print enough of it. It's a very interesting scenario.

But that's really just the beginning. The truth is that we think that the decline in the production of gold, which we believe has already peaked, is going to be accelerated by a new demon which has emerged over the last several years and that is jurisdictional risk. We think that if you're not in a place where the rule of law is king and you have a very, very good chance of waking up in the morning and find out that what you thought you owned you actually don't own, it's going to be very hard to get a project financed or build. For a lot of reasons we think they're hidden dangers to the industry.

At the same time, you have a decline in grades. What this means in essence is that if you're moving or extracting a gram of gold rather than two grams of gold, you're basically getting half the revenue. No wonder your costs go up per ounce. It's not really a very, very complicated math. So, what you're seeing as the grades of the average gold mine are falling, you are seeing the cost of the industry rise. It's one of the major reasons why the industry has been so challenged; that and making bad acquisitions. At the same time, let's say if you went out in search of Moby Dick and you found this great whale somewhere. The odds are that it would take you around 20 years from the time you make the discovery to take it through pre-feasibility, feasibility, permitting and development. In other words, unlike in hydrocarbons where when you make a discovery, if you're onshore, particularly, and you can attach to a pipeline, with gold, the barriers to entry are enormous, and at the same time the ability to exploit is going up or is becoming more challenged all over the world.

When we look at this what we see is a perfect storm. We see the supply of gold falling at the same time as we see people wanting to own something that isn't someone else's liability. Now that may sound very obscure, but it's not. We've all now learned from the lessons of the last financial crisis that just because it's backed by the Bank of Greece or the Royal Bank of Scotland does not mean that you

do not have counter-party risk. Gold is the only financial asset that when you own it you own it, it doesn't represent someone else's obligation to pay you in some fashion.

Which gets us to why Donlin? Donlin is everything that the gold industry is no longer. In terms of the size, the endowment, 40 plus million ounces is one of the greatest in the world. If you combine that with the grade which is over two grams per tonne, you are dealing with the highest grade, large open pit mine in the world. But there's more. When it's both, according to this feasibility study, Donlin will be the largest, single pure gold mine in the world. But of course it's also in the safest jurisdiction in the world, which means that while obviously 1.5 million ounces a year to both partners will give enormous leverage to our shareholders, that's going to be fruits and proceeds that we can keep because we're in a country where private property is respected and where the rule of law is the end of the line.

So, when I look at all of things together, I see in Donlin something extraordinary, something unique. Then I add to that, well, what's the upside potential of the reserves? We start with a plus 20 year mine life but the reality is that just from the mineralized trend that has been drilled, which is 8 kilometres, 40 million ounces comes from 3 kilometres of that. We know that there's more gold there along strike it's been drilled, but at a certain point the joint venture partners decided we can stop drilling. If we can't make a mine with 40 million ounces, it won't matter if it's 100 million ounces. Well, between the fact that we've only assessed the economics of 3 kilometres out of 8 kilometres, the fact that even that 8 kilometre portion represents only a few percentage points of the land package, the opportunity for pleasant surprises at Donlin are extraordinary. I happen to believe that one of the greatest next discoveries in the gold industry will actually be at Donlin.

So, we have a lot of good things to look forward to. The Management Team is second to none in the business. They could run any major mining company extremely well. We're very, very fortunate to have them. They come from accomplished and storied careers in companies where they've been involved in building projects just like this and getting it done and getting it done right and on time.

I think we're extremely well-positioned for the future. I think gold is working for us, and by the way, you'll notice that I haven't mentioned one negative in the reason why one should have exposure to gold. But as we often say, the sky may be darkened with black swans, and I could give 20 or 30 of them, but we don't need any swans to land for us to be able to have one of the greatest assets any business could ever ask for.

With that, before I step down, would anyone like to ask any questions of me on any of the things which I have discussed or haven't discussed? Great. Well—oh, yes sir.

Male Speaker:

(Inaudible 24:35)

DR. THOMAS KAPLAN:

That's a great question. Let me start with this. I'm often asked these days, because gold has had the best beginning to a year in decades, I'm often asked have we seen the bottom, and my short answer to that is I don't know. It would not surprise me to see gold move down again, but not for any fundamental reason whatsoever. Gold already has all the fundamental reasons to make new highs. I do believe that we will see highs over \$1,900. In fact, if any of you read the Annual Report or any of the stuff that I wrote there, I think that gold will see a multiple of the previous highs. The fundamentals argue for it, the shortages that I expect to come from the industry at a time when the emerging markets are going to be moving even more heavily into gold, I think are going to create a generational opportunity.

So, I see gold as a multiple of where we are today. I don't predict timing because it's just not what I'm good at, and quite frankly I really don't know anyone who's good at it. If I get it right it would be pure luck. But, I will say that it's been a long time since I got a long-term trend wrong, anything's possible, but if I'm right and I have greater conviction about gold now than I've ever had before, we're going to see a lot of joy from that market without black swans, just for good old fashioned reasons. If we get black swans, all bets are off.

Any additional questions? Cool. In that case, let me introduce my colleague, Greg Lang, our President and CEO.

GREGORY LANG:

Thank you Mr. Chairman. What really makes this Company special? We've got two assets of really exceptional quality. The Donlin Gold Project in Alaska; we co-own this asset with Barrick, the world's largest gold producer. In British Columbia we own half of the Galore Creek Project. Teck, Canada's largest diversified miner owns the other half.

Looking back on 2015, we were fortunate that we had the treasury and we had the conviction to advance our project in an otherwise pretty dismal gold market. Permitting has to be done and it has to be done right. Toward the end of last year our draft Environmental Impact Statement was published. That's a very significant milestone in the permitting of a project. We continued to work with our partner, Teck to advance the Galore Creek Project and in a pace appropriate for these markets. Finally, we kept the Company financially strong. We've got a great balance sheet and we're very protective of it. We spend no dime before its time.

This year what's ahead of us? We're near the home stretch in permitting. We're continuing to work with Barrick to advance the Donlin Gold Project to a construction decision. While we're permitting, we also maintain active community engagement programs and we stay in touch with all of our shareholders and stakeholders alike. We're continuing to advance Galore. We will do so throughout the balance of this year and when the time is right, we'll monetize this asset to further strengthen the balance sheet and direct our funds toward advancing the Donlin Gold Project.

Donlin is an amazing asset. When you look at the great mines throughout the industry, they all have many common attributes. If you look at the Donlin Gold Project, we've got the right partnerships, we've got Native Alaskan ownership and we're partnered with the world's largest gold company. We're in a great jurisdiction. I've mined gold all over the world and it's getting tougher and tougher everywhere you go. Very comfortable working in Alaska, we're welcomed in Alaska and has the rule of law. Great mines really need to be in safe places in today's world.

The long mine life. What we can see today it has a mine life measured in decades. It's only going to get bigger. This mine has the staying power to go through any price cycle that one could imagine and remain profitable. It's got excellent growth potential and it's got high grade. That's what it takes to make a successful gold mine. Yet, 40 million ounces that we can see today, Donlin is one of the largest undeveloped gold deposits in the industry. Then when you compare that to all of the other gold deposits that are either being contemplated or at various stages of advancement, Donlin is far and away the largest. Many of these others are in some very, very difficult jurisdictions. If Donlin were built and operating today, it would be the largest gold mine in the industry. It has better than twice the annual output of any of the other advancing projects.

To put that in perspective for everyone, there's about 200-odd mines in the gold industry of any consequence. There's only about a half a dozen that produce in excess of a million ounces a year. Gold mines of this size are extremely rare. This is an asset that any of the major producers would be proud to own and it would be a core foundation in their portfolio.

But what really distinguishes Donlin from many of the other gold deposits is the grade of this asset. At 2.14 grams per tonne, this is where the gold industry was 10 years ago. When you look at some of this next generation of mines that have been commissioned in the last couple of years, their average grade is about a gram. It's the grade of this ore body that gives Donlin an extremely competitive cost position.

Our Chairman mentioned the endowment. We've only extensively drilled 3 kilometres of an 8 kilometre gold-bearing system. When the time is right, we'll continue exploring this asset again. It certainly has the room and the potential to better than double its current endowment.

This project brings leverage to NOVAGOLD and leverage to our shareholders. At current gold prices, we've got relatively modest, positive, but modest rates of return. In a rising gold price environment, gold could go up twofold and the value of this asset would go up twentyfold. We have leverage and we have it in a place where you can keep it.

We've got great partners. Neither Barrick nor NOVAGOLD ever build this mine at any price mentality. We're going through permitting, we've got less than two years left to permitting and when the time is right we'll make an appropriate and informed construction decision. We are fully aligned and engaged with our partner.

One of the appealing things about Alaska, aside from the fact it's a very pleasant place to visit, the State that understands and appreciates the value of a healthy natural resources industry. Their challenged right now in Alaska because of what's happened with petroleum prices. The State wants and needs new investment in natural resources. They're very anxiously following our progress and they wish us well as we advance through the final stages of the environmental impact statement.

These are testimonials from our Native partners. What really separates this asset from many others is the fact that the underlying land is owned by two Native Alaska corporations. When the U.S.

government settled the various overlapping land claims with the Native groups, in order to develop the petroleum reserves they made certain concessions. This land was designated for mining activities, was then transferred to the Native corporations for their economic benefit. They have a congressional mandate to develop these resources for their people. Very few other projects have that endorsement and that congressional act that sets this property aside for mineral development.

Where are we at on the timeline? Throughout this downturn in recent years, we had the treasury and we had the conviction to steadily advance our project. Permitting in itself is not a particularly expensive activity, but it has to be done and we spent the last few years of this downturn steadily advancing our project. Within weeks, the public comment period on the draft EIS will be completed. The core of engineers will then take this public input and incorporate it into the final environmental impact statement which we anticipate about a year from now. We clearly are in the home stretch on permitting.

These are some of the public comments that we've received throughout this process. This project is in one of the poorest parts of the United States. There's virtually no economic opportunity for the residents there. They want and need this project to go forward. This is just some of the positive feedback we've gotten. Permitting in the United States is a very public process and the input and views of all stakeholders are incorporated into the final decision that the core of engineers will make.

Galore Creek. Here this asset could be a company maker just on its own. It's a large copper, gold, silver endowment in British Columbia. When the time is right, we will sell this asset. In the meantime, we continue to advance it.

NOVAGOLD is also very strong financially. We've got well over \$100 million in cash. Our expenditures to run this business have come down steadily every year without doing anything differently. We have over five years cash in the bank, clearly enough cash to see the project through permitting and when permitting is completed the demands on our capital drop significantly. We're in great shape and we're going to stay that way.

We're very fortunate to have a strong institutional following in the Company. Almost 60% of the Company's shares are held with our top shareholders. They understand this asset for what it is. It's

one of the largest gold endowments on the planet. It's an unexpiring warrant on an ounce of gold and we've got the Management Team and the patience to see it through to a construction decision.

Thank you for your interest today. We'd be pleased to take any questions.

There being no questions, everyone enjoy the rest of the afternoon, and myself and Management will be around if anybody'd like to visit with us. Thank you very much.

OPERATOR:

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