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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the NOVAGOLD second-quarter 2016 conference call and webcast. (Operator Instructions) As a reminder, today's conference may be recorded.

I would like to introduce your host for today's conference, Ms. Melanie Hennessey, Vice President, Corporate Communications. Ma'am, please go ahead.

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

Thank you, Michelle, and good morning everyone. We appreciate you joining us for NOVAGOLD's second-quarter financial results and also to hear an update on the developments of the Donlin Gold and Galore Creek projects. 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 formal part of the presentation we will take questions both by phone and by email, but before we get started I would like to remind our listeners that some of the 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 in various forward-looking disclaimers included in this presentation.

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

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

Thank you, Melanie. As shown on slide 5, the second quarter of 2016 marked the important passing of another major milestone for our Company's flagship gold project. As the public comment period for Donlin Gold's draft EIS came to the conclusion, progress was achieved, advancing up the value chain. By transitioning into the final stage of the EIS process for the Donlin Gold Project, we are now well-positioned to unlock further value of an asset defined by a unique combination of multiple attributes.

We are committed to our strategy of advancing this project through our long-term and mutually beneficial relationships with our partners at Barrick Gold, Calista Corporation, and The Kuskokwim Corporation. By maintaining a collaborative approach with the agencies, as well as continued open and transparent communications with all stakeholders, we look forward to continuing the progress that we have achieved to date.

Slide 6 provides an overview of the recent activities at Donlin Gold. During the six-month comment period, the Corps conducted 17 meetings in communities in the region and in Anchorage. The meetings gave the Corps an opportunity to present an overview of the draft EIS, which evaluates the environmental, social, and economic impacts of the proposed project. The meetings also served as a platform for local stakeholders to ask questions and provide comments on the draft EIS.



The Corps is reviewing all of the comments to assess what additional studies are required to prepare the final EIS, which they currently anticipate will be published in 2017.

While the EIS process comprises a large portion of the activities, the team continues to work with the state of Alaska to issue drafts of the integrated waste management permit, reclamation plan, water discharge permit, as well as work with the federal agencies to advance the issuance of other permits, including the dam safety, pipeline authorizations, water use, air quality permits, and other land and lease permits and right of ways.

Community and local stakeholder engagement is very important to the success at Donlin Gold. In the second quarter, our commitment was focused on continuing to communicate key project details, keeping the locals informed, as well as to encourage participation in the draft EIS public meetings and the submission of comments to the Corps. Donlin Gold also delivered project updates to numerous villages.

Donlin Gold is a continued sponsor of numerous community wellness and environmental programs, as well as workforce development initiatives. Additionally, we were pleased to collaborate with Calista in sending 10 graduating seniors from the Y-K region to attend a heavy equipment operator training program that is operated by the University of Alaska's Mine and Petroleum Training Service. This is a career pathway to provide opportunities for students with Calista and their subsidiary companies.

Opportunities exist and are created for local stakeholders, even before development activities begin. Our involvement and support of social, educational, and environmental initiatives in the villages is an integral part of how we conduct our business.

The incredible amount of support for Donlin Gold is gratifying and is shown in the comment letters that were submitted to the Corps. We have included a few quotes for your reference on slide 7. These quotes represent the common elements of support that we are seeing in the region.

As expected, those with concerns or objections also weighed in. The concerns expressed ranged from fear of a catastrophic event like a tailings dam failure or a diesel spill, to impacts to the day-to-day life on the Kuskokwim River. None of these issues were a surprise for us and will be further addressed in the final EIS. The airing of both sides of an issue is an integral part of the environmental process as envisioned by the National Environmental Protection Act and is vital to the Corps in addressing all public concerns and arriving at a defensible record of decision. We view Donlin Gold as a core business in this region, fulfilling ANCSA's goal of providing economic austerity for Alaska natives through the responsible development of their land. For all of those who attended a public meeting and submitted comments to the Corps, we appreciate your interest and participation in the process.

Moving to slide 8, while we are progressing with permitting, NOVAGOLD and its joint venture partner continue to work on value-enhancing opportunities, optimize project economics, and reduce upfront capital. Market conditions for the project have improved since the completion of the feasibility study and this allows the partners greater flexibility. The outcome of this effort may include enhanced project design and execution, engagement of third-party operators and the possible arrangement of third-party financing for a portion of the capital intensive infrastructure.

Moving to Galore on slide 9, draft reports for the first phase of the tunneling study, as well as enhancements to the site waste and water rock management plans, were completed. Due to the challenging copper markets, we intend to maintain the current level of activities at Galore with minimal spending. When market conditions improve, we will monetize our 50% interest in Galore to strengthen our cash position and contribute toward the development of Donlin.

I will now turn it over to David Ottewell, who will take us through our financial results. Dave?

David Ottewell - NOVAGOLD Resources, Inc. - VP & CFO

Thank you, Greg. Turning to slide 10, our share of Donlin Gold and Galore Creek funding was on track at \$3.2 million for the quarter. For the full year, we continue to expect to spend approximately \$10 million to fund our projects.



Slide 11 highlights our second-quarter operating performance. For the quarter, we reported \$7.4 million operating loss, similar to the prior year. For the first six months, our share of expenses at the Donlin Gold Project were lower as planned, as 2016 activities focused on the draft EIS public comment period and permitting.

NOVAGOLD's cash flow highlights are outlined on slide 12. During the second quarter of 2016 we spent \$5.2 million, of which \$3.1 million was used to fund our share of the Donlin Gold and Galore Creek projects and \$2.1 million was used for administrative costs and working capital.

In the second quarter last year, we made the final principal and interest payments on our convertible notes. We ended this quarter with cash and term deposits totaling \$112 million and continue to expect to end the year with approximately \$100 million.

On slide 13 we provide a reminder of 2016 budget. Given NOVAGOLD's current cash and term deposits of \$112 million and anticipated spending for the full year of approximately \$25 million, we expect to end 2016 with sufficient financial resources for NOVAGOLD to complete permitting of Donlin Gold and conduct necessary activities at Galore Creek.

Greg, back to you.

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

Thank you, Dave. Now turning to a brief overview of the multiple attributes found in our flagship property, Donlin Gold. Any one of these attributes commands a premium in today's asset-starved gold industry. Starting with the significant endowment on slide 14. Turning to slide 15, Donlin Gold has a longevity with an anticipated production profile of greater than 1 million ounces a year for almost 30 years, clearly at the top of the list when compared to the peer group of other development-stage open-pit gold deposits. Once in production, the project will contribute great economic benefits to all of our stakeholders for decades to come.

Another key attribute is the excellent grade of the deposit. With measured and indicated resource grade at 2.2 grams per tonne, it's one of the highest grade, large open-pit gold deposits, as shown on slide 16. This is very important as reserve grades continue to decline and sources for emerging production become increasingly scarce.

Beyond size, scale, and longevity, Donlin has tremendous exploration potential with numerous targets that remain underexplored. As the image on slide 17 shows, the current mineral endowment occupies a very small percentage of the total land package. The future mine covers only 3 kilometers of an 8 kilometer gold-bearing system.

As previously mentioned, one of the key attributes to start out is Donlin Gold's excellent leverage to gold, as seen on the bar chart on slide 18. Even in a low price environment, the project has positive rates of return. Given its uniquely long mine life, the project offers a high likelihood that it will enjoy multiple bull markets during its period of operation.

Donlin Gold is located in Alaska; this is a key competitive advantage that cannot be overlooked. On slide 19 we highlight that the US has a defined and rigorous permitting process and the rule of law is not a novelty. Once you get through the process, you get to keep the fruits of your labor.

Jurisdiction is an important issue today in the resources sector. Investing in the wrong region carries risks well beyond what you'll find in North America. We are fortunate to have an excellent shareholder base who are true believers in the opportunity and superior leverage which NOVAGOLD presents.

In closing, the Company is well-financed to continue permitting at Donlin Gold. We remain determined and committed to bringing the project up the value chain and will not let fluctuations in the market deter us from achieving this objective. NOVAGOLD is truly an institutional-quality stock and we're recognized for the value we bring.

We will now open the floor for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) John Bridges, JPMorgan.

John Bridges - JPMorgan - Analyst

Morning, Greg, Melanie, everybody. I was just wondering, interested in your comments on the different scales of operation. Just wondered, how big a scale could you handle given the amount of diesel you can barge up the river? And if you could elaborate on potential introduction of third parties that would be really interesting, too. Thanks, Greg.

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

Good morning, John. Thank you for participating in our call, as always.

The question on scale, we're still working on that with Barrick. What seems to make the most sense is half now, half later type approach. And barging on the Kuskokwim is probably one of the most sensitive issues throughout the permitting, so we will certainly be mindful not to have any greater barge traffic that's currently envisioned in the process.

And the final question I think, John, on third-party participation, we continue to evaluate those opportunities, and I think what we've really got to do is get this next phase of the EIS behind us and then we will be in a position where we can make a decision.

John Bridges - JPMorgan - Analyst

Okay. Best of luck guys, and congratulations on the progress so far.

Operator

Raj Ray, National Bank Financial.

Raj Ray - National Bank Financial - Analyst

Good morning, Greg and team. Just a couple of questions. First one, following the comment period and the subsequent extension, do you envisage any major revisions to your draft EIS and if that might have any impact on the timeline?

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

Good morning, Raj. Thank you for joining on the call.

The Corps of Engineers is evaluating all of the comments they received, and there were quite a few comments. The Corps, what they do now is they take all of these comments and really lay out a work program for some of the ones they will address and other comments they won't address. Then once this is complete in the next month or so, they will put out a final schedule.

But to answer your question, yes, I would anticipate somewhere between 9 and 15 months, 12 months give or take a couple months, to complete the final EIS. It's still a lot of work ahead of us, but it's taken a lot of work to get us to this point, so we're certainly prepared to deal with it.

Raj Ray - National Bank Financial - Analyst

Okay. And the second question, now you have talked about the optimization of the project there. Have you looked at putting out a study any time soon to give an idea to the market what the optimization might look like and what the economics might look like?

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

Raj, we are not yet in a position to do that, and we are very focused on permitting the project as it's envisioned in the feasibility study. In a general sense, anything that remains within the existing footprint of the study doesn't require significant permitting activities, and we're very mindful that we don't want to do anything that disturbs the effort that we put in the last few years to get us to this phase of preparing a final EIS. So I wouldn't anticipate any releases or details on the study until a year from now.

Raj Ray - National Bank Financial - Analyst

Okay. That's it for me. Thanks, Greg, and congrats on the progress and the environmental permitting. Thanks.

Operator

(Operator Instructions) I'm showing no further questions at this time. I would like to turn the conference back over to Mr. Gregory Lang, President and CEO, for any further remarks.

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

Well, everyone, thank you for participating in today's call and we will continue to update our shareholders as we progress through the final EIS. Thank you.

Operator

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

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