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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the NOVAGOLD RESOURCES fourth-quarter and year-end 2016 conference call and webcast. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to hand the floor over to Melanie Hennessey, Vice President of Corporate Communications. Please go ahead.

Melanie Hennessey - NOVAGOLD RESOURCES INC. - VP, Corporate Communications

Thank you, Karen. Good morning, everyone. We are pleased that you are with us today for NOVAGOLD's fourth-quarter and year-end financial results as well as an update on the latest activities at our two projects, Donlin Gold and Galore Creek.

On today's call we have Greg Lang, NOVAGOLD's President and CEO, and also 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.

I would like to remind our listeners that our materials and presentations may contain forward-looking information and projections that may differ from actual results. Please refer to the risk and uncertainties that are disclosed in our annual report filed on Form 10-K for the year ended November 30, 2016, and other NOVAGOLD reports and documents filed on SEDAR and EDGAR.

With that, I have the pleasure of turning the call over to Mr. Lang.

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

Thank you, Melanie, and good morning, everyone. For those of you who may be new to the Company, we are a development-stage company and we have two great undeveloped assets in North America. We own half the Donlin Gold Project in Alaska with Barrick, and our partner in the Galore Creek project is Teck, one of Canada's largest diversified miners.

Before I turn the call over to David to cover the financials, I wanted to provide a brief overview of the achievements in 2016, particularly as it relates to the advancement of permitting at the Donlin Gold project. Slide 5 provides a high-level summary of the extensive work accomplished by the team.

We have continued to advance Donlin Gold, staying true to our strategy even through volatile markets. Our focus last year was twofold: to continue working with the government agencies in collaboration with our native partners by engaging all stakeholders to ensure a transparent and inclusive



public process. And second, we worked with our partner on studies to enhance the value of the project and provide our shareholders with a great risk/reward opportunity in a gold investment.

Permitting is not the most exciting time in the development of an asset, but it is an intensive undertaking that needs to be done right. It's truly an understatement to say that permitting is progressing as anticipated, given the incredible amount of work that has been accomplished.

You may recall that as part of the public process, a total of 17 meetings were held throughout the region. We were encouraged by the participation in the review. In the fourth quarter of last year, the Army Corps of Engineers organized the comments into discrete categories, such as water quality, tailings management, barging, and socioeconomic impacts.

The Corps will now determine how to address each of these comments in the final EIS. Per their latest schedule, the Corps anticipates the final EIS in early 2018, or about a year from now. The completion of the EIS requires the most resources and is by far the lengthiest undertaking in the permitting process, with the end goal of obtaining federal approval to develop a gold mine.

But it's not our only focus. Work continues to advance on other state and federal permits that pertain to the Clean Water Act, air quality, waste management, reclamation, and the natural gas pipeline. It's been impressed with the team work and dedication of everyone involved in permitting, and we have just one goal in sight: to successfully and responsibly permit the Donlin Gold project.

At Galore Creek, in the fourth quarter, the partnership completed various technical studies, which included the surface water drainage studies and integrated mine planning.

Moving to slide 6, in November, we announced the appointment of Andy Cole as new general manager at Donlin Gold. As we enter the final stages of permitting and look at ways to optimize and further enhance the project ahead of a construction decision, I can't think of a more experienced person than Andy to lead the project. He's a seasoned Barrick executive with an exceptional track record of building and operating major gold mines such as the Goldstrike property. He was Barrick's senior operations executive before taking on this role a few months ago.

Moving to slide 7, Donlin's high grades and low projected operating costs give us considerable flexibility to entertain fresh thinking. Throughout last year and continuing this year, we are conducting studies and assessing various development scenarios.

This effort, led by both parties' experienced technical teams, have identified opportunities to enhance the project through such ideas as modular construction techniques, selective mining to enhance the grade, and automation of certain activities. As we approach the completion of the EIS and the permitting process, the owners expect to update the feasibility study to reflect these and other changes.

But neither partner has a build-at-any-price mentality. Given our bullish view on gold, we think our timing for completion of the EIS will be just right. We are confident that the outcome of our work will establish the best path forward when the owners are ready to make an investment decision.

With that, I will turn the call over to Dave to cover the financials.

David Ottewell - NOVAGOLD RESOURCES INC. - VP and CFO

Thank you, Greg. Slide 8 highlights our operating performance. For the year, we reported an operating loss of \$30.1 million, slightly lower than the prior-year period. General and administrative expenses were also similar to the prior year at \$20 million, including share-based compensation of approximately \$10 million per year.

Our share of expenses at Donlin Gold decreased by \$2.2 million as activities continue to focus primarily on the EIS and permitting. At Galore Creek, our share of expenses increased by \$0.7 million. In the prior year, Galore Creek net expenses were lower due to a gain on the sale of surplus equipment. Also in the prior year, net loss benefited from a foreign exchange gain of \$4.8 million in other income/expense.



NOVAGOLD's cash flow highlights are outlined on slide 9. During 2016, our cash and term deposits decreased by \$21.4 million, \$3.6 million lower than originally planned and \$1.6 million lower than our previous forecast. Cash used to fund our administrative activities was similar to the prior year, while Donlin Gold project costs were lower in this phase of permitting. We ended the year with cash and term deposits totaling \$105 million.

On slide 10, you see that our total 2017 budget is similar to our prior-year spending at \$23 million. We plan to spend \$10 million at Donlin Gold to support Donlin Gold permitting activities, \$2 million at Galore Creek, and \$11 million for administrative and other expenses.

Greg, back to you.

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

Thank you, Dave. The next few slides I'll cover really are just a top-of-the-waves look at why we think the Donlin Gold project is unique. On slide 11, with reserves and resources of over 40 million ounces, Donlin is one of the largest undeveloped gold deposits in the industry.

Turning to slide 12, it's just a comparison of Donlin and the other major development projects in the space. Clearly, Donlin is far and away the largest of the emerging producers. It will be a big mine. It will produce 1.5 million ounces a year its first 5 years; life of mine, over 1 million ounces a year. That's better than twice the output of any of the other projects that are on the drawing boards.

On slide 13, Donlin's grade separates it from the pack. At 2.2 grams, its grade is better than twice the industry average. These high grades will enable the project to have exceptionally low operating costs.

Slide 14 is just a long section on the gold-bearing system at Donlin. We have been drilling on only 3 kilometers of this strike; and when the time is right, the owners will resume exploration. I have no doubt that we will add significantly to the resources at Donlin.

Slide 15 in two charts illustrates the significant challenges facing the gold industry. Exploration spending has not produced any discoveries of any consequence. It has been at a 10-year low and it is going to further exaggerate the pressures on maintaining production for the major gold producers. The industry needs projects like Donlin to prevent further declines in output.

On slide 16, Donlin Gold is obviously important to the owners, but it's equally important to our native partners, Calista and TKC. The development of this mine will help fulfill the vision of the Alaska Native Claims Settlement Act and give these groups self-determination.

We also enjoy support from the governor of Alaska and the other state agencies. Alaska, like many oil-producing regions, has had significant pressure on their state budgets. The project comes at a time when Alaska really needs to diversify their economy.

Slide 17 is just the attributes of the Galore project. It's one of the largest, highest-grade undeveloped copper, gold, silver projects in Canada. When the time is right, we will look to monetize our interest in this asset to further strengthen our balance sheet.

Slide 19 is just a snapshot of our major shareholders. Our ownership is very concentrated. Over half of our outstanding shares are with our top shareholders, and they have been in the Company a long time and look at us as an unexpiring warrant on an ounce of gold.

So just to recap the call, we are fortunate to have interest in two great development assets. We've got a strong balance sheet. We operate in safe places. We will be a large-scale operation. And the last year of permitting will go by in the blink of an eye, and we will be ready to make a development decision on the project.

Thank you. We will now turn it over to questions.



QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Stephen Walker, RBC Capital Markets.

Stephen Walker - RBC Capital Markets - Analyst

Just a couple of questions. When you spoke about optimization of Donlin and fresh thinking about the project and opportunities to enhance, I know it may be too early to give specifics on that.

But when you look at the major drivers of value, whether it's capital costs or operating costs or the plant design itself, when you're talking about optimization, how would you prioritize which of those you have the greatest impact over or the ability to change, given the fundamental geological and metallurgical merits of Donlin Gold?

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

Sure, Stephen. Thank you for the question and joining the call. The work we are doing with Barrick -- we started with the geologic database and the resource model and looking to get a greater understanding of the structural controls and the occurrence of the mineralization.

We think that with a smaller-scale, more selective mining operation, there is opportunities to enhance the grade. So that's certainly a key focus, and anything we can do on the revenue side has a pretty significant impact.

We are also evaluating various development scenarios that would impact the scale. And I think in our partners' view, they look at the project as staged development. And we think given the times that that makes a lot of sense maybe to start at a smaller rate and expand out of future cash flow. But I think the basic concept of the project, open-pit mining and milling, are intact and just looking to enhance them.

We are also looking at changes in many of the inputs. Certainly, energy is way down from when the feasibility study was done and the competition that we saw for large capital projects in the mining industry just doesn't exist now. So it's certainly a better environment to contemplate a large-scale mining operation than it was when the feasibility study was completed.

Stephen Walker - RBC Capital Markets - Analyst

Is there presumably a point in time where you could talk about the optimization would be prior to or once you have the final EIS and permitting in hand?

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

It will really coincide with the final, right as we are wrapping up the permitting.

Stephen Walker - RBC Capital Markets - Analyst

Perfect.

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

And that will be about the time the owners need to decide really, okay, where are we going now.



Stephen Walker - RBC Capital Markets - Analyst

Right. And also, if I might ask another question. Just with respect to opposition or new opposition, has anything come up in the last quarter or recently with respect to a change in the view, the positive view, the native corporations have? Or have any new NGOs or NGOs that have not been present prior to now or active NGOs come back with any concerns? Or has anything changed with respect to potential opposition to the project?

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

No, Stephen. It has been pretty quiet on that front.

Stephen Walker - RBC Capital Markets - Analyst

Great. That's all for me. Thanks, Greg.

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

And with the close of the public comment period, that was really the last opportunity for the general public to weigh in. And the record on which the EIS is based is now set.

Stephen Walker - RBC Capital Markets - Analyst

Perfect. Thank you very much for that, Greg.

Operator

John Bridges, JPMorgan.

John Bridges - JPMorgan - Analyst

Following on from Stephen, the push of the final date into 2018, is that going to interfere with your work with Barrick on a Phase 1 project? Or does that give you more time so you are going to have a ready-to-go sort of plan when you have the permits in hand? How do you see that interaction?

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

I think, John, it probably doesn't really have much impact on the work we are planning with Barrick. The schedule is -- the Corps had a changing of the guard and extended the public comment period, so they added a couple months to the schedule.

And at this stage, a couple months to us really doesn't matter a great deal one way or another. We are working with our partner and we've got a lot of activities planned for this year. And I think it will coincide pretty nicely with the completion of the EIS in about a year's time. And as we are getting closer and closer to the finish line, the dates, certainly in the Corps' view, are getting pretty firm.

John Bridges - JPMorgan - Analyst

Okay, that's great. And then I seem to remember from the early days of exploration that you found some material there that was 5-10 grams per tonne. So might you be able to get a 5-gram-a-tonne head grade for the first few years?



Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

John, we are evaluating all different scenarios and the impact on the mining plans. 10 grams for the first few years is a bit higher than we think is possible, but certainly there's opportunity to bring some grade forward.

John Bridges - JPMorgan - Analyst

Very diplomatic. And you mentioned the difficulty the major miners are having replacing reserves and the importance of what you are bringing to the market. When do you think that might start to impact the major miners? At \$1,300, the major miners seemed to be okay last year. If they are redoing their numbers at \$1,200 or something below, do you see cracks in the reserve basis coming?

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

We do, John. I think, looking out across the industry, most of the majors have done a fantastic job of cutting costs, shedding non-core assets, and de-risking their balance sheet. And I think that across the board, they are all in much better stead than they were two or three years ago. I think they are able to start thinking about, okay, what's next and where is this company really growing and how do we get there.

So I think it will be good timing for us if we can keep gold \$1,200, get it creeping back up to \$1,300, I think it will be a pretty exciting time in the space.

John Bridges - JPMorgan - Analyst

Okay, great. Keep up with the good work. Thanks a lot, Greg.

Operator

John Tumazos, John Tumazos Very Independent Research.

John Tumazos - John Tumazos Very Independent Research, LLC - Analyst

Thanks for taking my question. First, how many public comments were there on your draft EIS? I think PolyMet has the record, around 60,000, and under 1,000 might be the average project.

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

We had a little over 500 comments. Some of them were multiple comments, but we fell way short of PolyMet.

John Tumazos - John Tumazos Very Independent Research, LLC - Analyst

Given the process as it's evolving, could you give us a range of dates when you think the JV might begin to break ground and clear site before concrete, like maybe between X month of year whatever at the optimistic end and blank month in the pessimistic end?



Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

No, John, we've -- I look at what's ahead of us. And we've got a year to get the final EIS out and then they will take a month or so to prepare a record of decision. And then there's an appeal period. So if you add it up, you are looking into at the absolute earliest the middle of 2018. But the owners really were focused on getting the permitting wrapped up to where we are able to make a construction decision.

John Tumazos - John Tumazos Very Independent Research, LLC - Analyst

So the good people at Barrick are not rolling in the money like it was 2011, but they are doing a lot better than a couple years ago. And fortunately, they are looking at growth.

Now, you're not supposed to comment on your partner's priorities. But as I study Barrick, they have the Gold Rush project, which they like. But they haven't begun the NEPA process yet. So maybe that's five-plus years out.

They have Alturas in Chile they want to do. I think they want to do something right in Chile just to prove that they can mine without adversely affecting the high Andes and the dust and whatever coming down the hills. And then they have the Lama side of Pascua-Lama in Argentina, where they don't have the same regulatory barriers.

Alturas is early days. Lama -- maybe it happens next year or two. But other than Lama, what projects does Barrick have that might be 2019 capital outlays in construction that would compete for dollars as to whether it's a prettier girl than Donlin Creek?

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

Well, John, I think you gave a pretty good recap of their development pipeline. And it's really -- it certainly has --

John Tumazos - John Tumazos Very Independent Research, LLC - Analyst

Donlin is a pretty girl, but she hasn't grown up yet.

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

Yes. But I think we are feeling pretty good where we are at. We are just about through permitting. Clearly, the end is in sight. The regulatory environment in the US is likely to be simpler going forward than it has been through the last couple years. So we think that that puts Donlin in a pretty good light in anybody's development pipeline.

John Tumazos - John Tumazos Very Independent Research, LLC - Analyst

Thank you. Congratulations on the better market.

Melanie Hennessey - NOVAGOLD RESOURCES INC. - VP, Corporate Communications

So we have one more question coming in from the webcast. And the question is, what are the anticipated all-in cash costs for Donlin?



Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

All right. Well, the all-in cash costs, life of mine, are \$526 operating and about \$700 all-in sustaining costs, which are substantially below industry averages. And I would direct any inquiries to that to the information on our webpage. We have a lot of detail in what makes up the operating and all-in sustaining costs.

Melanie Hennessey - NOVAGOLD RESOURCES INC. - VP, Corporate Communications

So with that, operator, I don't know if you want to prompt for additional questions.

Operator

Certainly. (Operator Instructions) And I have no further questions at this time. I'd like to turn the conference back over to Greg Lang for any additional comments.

Gregory Lang - NOVAGOLD RESOURCES INC. - President and CEO

Well, thank you, operator. And everyone, thank you for dialing in and getting an update on the activities at NOVAGOLD. Good day.

Operator

Thank you. Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may now disconnect. Everyone have a good day.

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