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NG.TO - Q3 2017 NovaGold Resources Inc Earnings Call

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## CORPORATE PARTICIPANTS

**David A. Ottewell** *NovaGold Resources Inc. - CFO, Principal Accounting Officer and VP*

**Gregory A. Lang** *NovaGold Resources Inc. - CEO, President and Non-Independent Director*

**Melanie Hennessey** *NovaGold Resources Inc. - VP of Corporate Communications*

## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the NOVAGOLD Third Quarter 2017 Conference Call and Webcast. (Operator Instructions) As a reminder, this conference may be recorded. I would now like to turn the conference over to Ms. Melanie Hennessey, VP, Corporate Communications. Ma'am, you may begin.

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**Melanie Hennessey** - *NovaGold Resources Inc. - VP of Corporate Communications*

Thank you, Amanda. Good morning, everyone. We are pleased that you are joining us for NOVAGOLD's third quarter financial results and also to hear an update on 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 e-mail. But before we get started, I would like to remind our listeners that our materials do contain forward-looking information and projections that may differ from actual results. Please refer to the risks and uncertainties 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 great pleasure of introducing Greg Lang, NOVAGOLD's President and CEO. Greg?

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**Gregory A. Lang** - *NovaGold Resources Inc. - CEO, President and Non-Independent Director*

Thank you, Melanie, and good morning, everyone. Today, we will be reviewing our third quarter results and providing an update on our 2 projects: our flagship property, the Donlin Gold project in Alaska, which is co-owned with Barrick, continues to progress through permitting. It is poised to become one of the largest producers in the gold industry. Our second project, Galore Creek in British Columbia is co-owned with our partner Teck and is one of the largest undeveloped copper deposits in Canada.

Moving to Slide 5. Activities in the third quarter were focused on advancing the Donlin Gold EIS. The Army Corps of Engineers, which is the lead federal agency, completed and distributed the preliminary final EIS in July for review by the cooperating agencies. They, in turn, submitted their input to the Corps on schedule last month. The final EIS is anticipated to be published in early 2018 followed by a Record of Decision about 4 months later. Other major state permits continue to advance and are scheduled to be finalized concurrently with the Corps' Record of Decision or shortly thereafter. We look forward to achieving these key project permitting milestones.

During the last quarter, we made progress in advancing our project optimization efforts. In July 2017, Barrick and NOVAGOLD launched an \$8 million drill program, as shown on Slide 6. This program will gather additional geochemical and structural data to further strengthen our understanding of the targeted mineralized zones, will deepen our knowledge of the structural controls and support the ongoing optimization work. So far, we have drilled about half of the holes, and final assay results will be released when the program is completed.

We continue to invest our time and resources in the communities where we operate. This activity is fundamental to our core corporate values and culture. As shown on Slide 7, Donlin Gold project team was busy meeting communities in the surrounding area, council meetings, tribal gatherings throughout the Y-K region. Several site tours were also held at Donlin Gold to see the project firsthand, ask questions and interact with the people



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working at the camp. Donlin Gold worked closely with both Calista and The Kuskokwim Corporation to facilitate and execute these important outreach efforts. This represents only a small part of the work that's been accomplished by Donlin Gold and further supported by the owners in their community outreach.

In Northern British Columbia, the Galore Creek partnership yet again sponsored activities for the Tahltan people, which teach the importance of literacy and culture.

I'll now turn the call over to our CFO, David.

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### **David A. Ottewell** - NovaGold Resources Inc. - CFO, Principal Accounting Officer and VP

Thank you, Greg. Turning to Slide 8. Our share of Donlin Gold and Galore Creek funding totaled \$3.6 million for the quarter, including \$800,000 to fund the Donlin Gold drilling program. For the full year, we continue to expect to spend approximately \$14 million to fund Donlin Gold, including the drilling program, and \$2 million to fund Galore Creek.

Slide 9 highlights our third quarter operating performance. For the quarter, we reported an \$8.4 million operating loss, \$2 million higher than the prior year quarter. The increase was due to the drilling program at Donlin Gold, increased care and maintenance activity at Galore Creek and higher share-based compensation costs for stock options credited to directors.

For the first 9 months, our operating loss increased by \$1.6 million also due to the drilling program at Donlin Gold and increased activity at Galore Creek.

Other expense increased for the quarter and first 9 months primarily due to foreign exchange losses due to the strengthening of the Canadian dollar.

NOVAGOLD's cash flow highlights are outlined on Slide 10. During the third quarter, we spent \$5 million, of which \$3.5 million was used to fund our share of the Donlin Gold and Galore Creek projects and \$1.7 million was used for administrative cost and working capital.

Cash used to fund our projects increased from the prior year quarter due to the increased activity at Donlin Gold and Galore Creek. Also, the prior year quarter benefited from the receipt of the exploration tax credits.

Finally, on Slide 11, we remain on budget and expect to spend approximately \$27 million in 2017. Spending is expected to increase in the fourth quarter due to the Donlin Gold drilling program. We expect to end the year with approximately \$78 million in cash and term deposits.

Greg, back to you.

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### **Gregory A. Lang** - NovaGold Resources Inc. - CEO, President and Non-Independent Director

Thank you, Dave. I'll now quickly touch on the attributes that make the Donlin Gold project unique.

On Slide 12, just in terms of sheer size, Donlin has one of the largest undeveloped gold resources in the industry, multiples bigger than anything else on average. The grade at Donlin at 2.25 grams is better than twice the industry average. It's exceptional grade for an open-pit mining operation. The production profile at Donlin is also unique. If this mine were in production today, it would be the largest gold producer in the industry. Its output of 1.1 million ounces average over life of mine is over 3x higher than the other projects that have been advancing in the industry.

Slide 15, what really stands out here is the untested potential at Donlin. We defined about 40 million ounces in less than half of the strike length of the mineralized zone. During the years of active exploration between 2006 and 2011, the resource grew by 135%. As you can clearly see, this trend could lend itself to exploration potential in the future.



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Slide 16 highlights the leverage that this has had as gold prices move higher.

Turning to Slide 17. What also sets Donlin Gold apart from other mining projects and operations as shown is that it is located on private land designated for mining. The Calista Corporation has the mineral rights, and the Kuskokwim Corporation has the surface rights. They have an owner's interest in this project, and they want to see economic development in their region for the benefit of their shareholders. Their region is one of the poorest in all of the U.S., and this represents tremendous opportunity for them.

It's very exciting to be in the final stretch of the Donlin Gold EIS process. Looking back at all of the milestones we have achieved and as shown on Slide 18, what really stands out for me is the level of dedication and collaboration from all of the project stakeholders. This will make for a model mine for generations to come. Our strong partnerships with Calista and TKC, coupled with the common set of values for safe and socially and environmentally responsible project development we share with our partners, give us a sense of gratification that we are on a steady path towards achieving something very significant, not for just our stakeholders, but for the industry as a whole.

Looking ahead on Slide 19. As we approach the end of the projects' EIS and permitting process, we are also doing an important optimization work to ensure that the ore bodies' well-defined grade and space characteristics can be put to work in an operationally sound and efficient manner.

Galore Creek is our other significant asset. It's a large copper deposit with good gold and silver by-product credits.

The next slide shows the leverage that Galore Creek has in rising copper price environments. The project is pretty compelling even at today's prices. We're fortunate to have a very strong and loyal shareholder base. About half of our shares are with the top shareholders who understand the company well, and new NOVAGOLD has a long-term un-expiring warrant on gold.

So just to wrap it up, the company's projects are in great jurisdictions. We've maintained a healthy balance sheet and are careful with our expenditures. The ongoing optimization work at Donlin is progressing well, and our stakeholders in Alaska continue to be supportive.

Thank you. We will now open the line for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) And at this time, I would like to turn the call back over to Mr. Lang.

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### Gregory A. Lang - NovaGold Resources Inc. - CEO, President and Non-Independent Director

Well, everyone, thank you for calling in this morning. And we look forward to updating everybody with the drill results later in the year. Thank you.

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### Operator

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

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