

NOVAGOLD Resources Inc. Annual General Meeting Conference Call and Webcast Transcript

Date: Friday, May 4, 2018

Time: 1:00 PM PT

Speakers: **Greg Lang**
President and Chief Executive Officer

David Deisley
Executive Vice President and General Counsel

Thomas Kaplan
Chairman of the Board of Directors

OPERATOR:

Welcome to the NOVAGOLD 2018 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 Hyatt Regency in Vancouver where the NOVAGOLD 2018 Annual General Meeting of Shareholders will begin momentarily. Thank you.

GREG 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, partners, associates, and employees, and extend a special thank you to those who are present today and those who traveled to attend this meeting. We are grateful for your interest and your support.

There are a couple of housekeeping items for those of you in the room today. Please turn your cellphones to silent mode, and note that in the case of an emergency, you should exit the building using the stairs outside the entrance to this room, directly across the hallway.

As part of today's agenda, Dave Deisley, Executive Vice President and General Counsel 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 follow with an overview of gold and the state of the industry. I will then provide an update on NOVAGOLD's 2017 results and the outlook for 2018, after which there will be an opportunity for shareholders to ask any questions. David?

DAVID DEISLEY:

Thank you very much, Greg. Good afternoon everyone. As Greg mentioned, my name is David Deisley. I am NOVAGOLD's Executive Vice President and General Counsel. Should anyone present need a copy of the proxy or the Management Information Circular, we have additional copies at the registration desk. If there are any NOVAGOLD shareholders as of the record date of March 12, 2018

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

I'd like to take this opportunity to introduce our Directors and our nominees for director. If each of you could please identify yourself as I read your name. Sharon Dowdall, Dr. Diane Garrett, Dr. Thomas Kaplan, Greg Lang, Gillyeard Leathley, Igor Levental, Kalidas Madhavpeddi, Gerry McConnell, Clynton Nauman, Rick Van Nieuwenhuysse, and Tony Walsh. Thank you.

The meeting will now come to order. Pursuant to the Articles of the Company, Greg Lang, President and CEO, will act as Chair of the meeting, and I, David Deisley, will act as the Meeting Secretary. With the consent of the meeting, the Chair appoints Jenny Karim of Computershare Investor Services Inc. as the scrutineer.

The notice calling this Meeting of the Shareholders was mailed by the Company's transfer agent, Computershare Investor Services, to all the shareholders of record as of March 12, 2018. The declaration of Computershare as to such mailing is available for inspection by any shareholder. The declaration will be appended as a schedule to the minutes of this meeting.

As the scrutineer has completed the tabulation of the shareholders present in person or by proxy, I will read the report of the scrutineer. We have 209 total shareholders represented today representing 264,9291,954 shares of the Company and that is 82.2% of the issued and outstanding shares of the Company. 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 six items to address in today's meeting. The first is to verify the minutes of the 2017 Annual Meeting of the Shareholders; second, to receive the Annual Report of the Directors containing the consolidated financial statements of the Company; third, to set the number of Directors; fourth, to elect Directors for the forthcoming year; fifth to appoint the Company's Auditor and to authorize the Directors through the Audit Committee to affix the Auditor's remuneration for the forthcoming year.

Finally, to consider, and if deemed appropriate, approve a non-binding resolution approving the compensation of the Company's named Executive Officers.

Turning to the first item, the minutes of the Annual Meeting of the Shareholders held on May 5, 2017 are available for review by any shareholder. Is there a motion to take the minutes as read and verified?

MALE SPEAKER:

Aye.

DAVID DEISLEY:

Thank you. A second?

FEMALE SPEAKER:

Aye.

DAVID DEISLEY:

Thank you. Is there any discussion on this motion? Seeing no discussion, all in favour, please signify by raising your hand. Any contrary? The motion is carried.

We will now present the Annual Report of the Directors containing the consolidated financial statement of NOVAGOLD for the year-ended November 30, 2017, together with the Auditor's report thereon. A copy of the annual financial statements was mailed to each shareholder of record who specifically requested a copy. Extra copies are available at the registration desk. Are there any questions on the financial statements of the Company?

Seeing no questions, we will move on to the next item of business, which is to approve the number of Directors to be appointed at the meeting.

It is an ordinary resolution setting the number of Directors at 10. The explanation of this item may be found on Page 6 of the Management Information Circular. Is there a motion to approve in an ordinary resolution setting the number of Directors at 10?

Thank you.

Is there a second? Thank you.

Any discussion on this motion?

There being no discussion, I will ask all of those who are in favour of the ordinary resolution setting the number of Directors at 10 to raise your hand. Are there any opposed?

I therefore declare the ordinary resolution setting the number of Directors at 10 carried by a majority of the votes cast on the resolution.

The next item of business is the election of Directors. The Board of Directors and the shareholders have just determined that the business of the Company can properly be conducted by a Board of Directors consisting of 10 Directors. The following 10 individuals are proposed as nominees to the Board of Directors as set out in the Management Information Circular: Sharon Dowdall, Dr. Diane Garrett, Dr. Thomas Kaplan, Greg Lang, Gillyeard Leathley, Igor Levental, Kalidas Madhavpeddi, Clynton Nauman, Rick Van Nieuwenhuyse, and Anthony Walsh.

Is there any discussion with respect to this motion? There being no discussion, I would ask for a motion nominating these 10 individuals for election as Directors of the Company.

Thank you. Second?

FEMALE SPEAKER:

I do.

DAVID DEISLEY:

Thank you. Are there any other nominations? There being no other nominations, I declare the nominations closed.

Given the majority voting policy adopted by NOVAGOLD's Board, a poll will be taken on this matter. Any registered shareholder present who wishes to cast a ballot may do so unless the shareholder had

already provided a proxy. Those shareholders who have already given proxies need not vote again and should not vote again unless they have first signed a revocation of their proxy. Ballots and revocation forms are available from 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 one to you.

On the ballot, you will find the names of the 10 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 are held by Management. The ballots have now been collected. I will report the results of the poll when the scrutineer has completed 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 Meeting, or until their successors are duly appointed, and that the Directors through the Audit Committee be authorized to fix their remuneration.

Thank you. A second?

FEMALE SPEAKER:

I do.

DAVID DEISLEY:

Thank you. All those in favour, please raise your right hand. Are there any opposed?

The motion is carried. I declare that PricewaterhouseCoopers LLP be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting of the Shareholders or until their successors are duly appointed, and that the Directors through the Audit Committee be and 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 compensation discussion and analysis is contained on Pages 28 through 60 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 11 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?

Thank you. Then a second?

Thank you. Is there any discussion on this motion?

There being no discussion, all those who are in favour of a non-binding resolution approving the compensation of the Company's named Executive Officers please raise your right hand. Are there any opposed?

I declare 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 report of the scrutineer with respect to the ballot on the election of Directors from the motion on Item 2, and declare that Sharon Dowdall, Dr. Diane Garrett, Dr. Thomas Kaplan, Gregory Lang, Gillyeard Leathley, Igor Levental, Kalidas Madhavpeddi, Clynton Nauman, Rick Van Nieuwenhuyse, and Anthony Walsh be 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 on the votes for or withheld from voting for each individual nominee will be disclosed in the manner provided for in the Company's majority voting policy, and will be described in a press release to be dated May 7, 2018.

That concludes the formal items of business for the meeting. Is there any other business?

There being no further business, is there a motion to conclude the meeting?

MALE SPEAKER:

I do.

DAVID DEISLEY:

Thank you. A second?

FEMALE SPEAKER:

I do.

DAVID DEISLEY:

All in favour? Any opposed? There being no opposition, the motion is carried. The formal portion of the meeting is now concluded. Thank you for your attention and participation.

It is now my privilege to introduce the Chair of NOVAGOLD Resources Inc., Dr. Thomas Kaplan.

THOMAS KAPLAN:

Thank you, Dave. Before I go into my scheduled remarks about gold, I'd like to take a moment to remind all of us that the expression as good as gold is sometimes used to be able to describe people as well as currencies, or those any things we want to be able to extoll as being particularly special. In that regard, I would like to make special mention of the fact that as we have voted in this slate of Directors, we are saying farewell or auf wiedersehen to our longest serving director, Gerry McConnell, who has been with the Company since founding it in 1984, and has held the positions of Chairman, CEO, as well as being a Director for 33 years. I know that I speak for all of the Board and its shareholders when I say that we are extremely grateful to Gerry and will always, always remember him with tremendous fondness for his service.

Equally, I would like to extoll the golden virtues of the newest member of our Board of Directors, Diane Garrett, who is presently the CEO of Nickel Creek Platinum and who has an extraordinarily successful career in the minerals business as both a fund manager, as well as one of those great and rare CEOs in this business who managed to fulfill all of her objectives to the benefit of all the stakeholders and shareholders in her previous incarnations. Having her expertise, her talent and her character as part now of the NOVAGOLD family is something that I for one look forward to engaging with for many, many years to come. Welcome Diane.

Now, we talk about gold. There are so many reasons to believe that as one of the greatest fund managers of our era, Ray Dalio, has put it that everyone should own some gold. I would also add to that that he said that anyone who doesn't own gold as part of a diversified package of currencies, either doesn't understand gold or the economics of gold. I couldn't agree more. Although I've never particularly felt the need for others to hold hands with me in their own beliefs, I am reminded that there are several luminaries in the investment world who have very recently pointed out that something is going on with gold that is very interesting. The man presently known as The Bond King, Jeffrey Gundlach, has gone so far as to say that in his view, gold is coiling like a snake and is poised to break out. Perhaps it already has and we are watching it take place in plain sight.

The point that I would like to make is that as some of you have heard me say before, I do believe very strongly that we are in a bull market in gold, that what we've been witnessing over the last seven or eight years has been a correction within a bull market. That's an extremely powerful correction in its length, but that is only exceeded by what I view as having been the first leg of the bull market, which took gold from \$250 to nearly \$1900. There are very few commodities or financial assets of any kind that go up for 12 consecutive years in a row, and yet that's what gold did in leg one of the bull market. I would point out to you that during that time gold went up, ending the year higher than when it started the year during years in which there were inflation fears and deflation fears, strong commodities, weak commodities, strong dollar, weak dollar, political instability, political stability; every year gold ended higher for 12 years. So perhaps it's not surprising that in the context of what I believe will be a bull market that takes gold well past the highs of leg number one, we are having this long-term correction. When it ends, what it portends is a move far beyond the \$1900.

Now, there are many reasons why people want to own gold. Many of them involve protecting themselves from untoward events in the world in assets. As someone who's been in the business for 25 years and therefore regards himself as a professional. I believe that the most important reason why everyone should own some gold is because the industry itself is in distress, potentially for many companies a terminal distress.

I've always believed that if one has to resort to fear to get someone to buy gold or silver—what I call the last refuge of the scoundrel—then you're really doing something wrong. If supply and demand, Economics 101, can't account for the fundamental underpinning of a thesis then you are speculating, you're not investing, and that's a very different thing. If, on the other hand, you can invest in something

which has embedded within it the ability to go up if things do happen in a negative way, then what you're doing is something which is a fiduciary virtue. You're protecting capital and you're protecting assets for future generations.

The most important aspect about why we're in the business, and more particularly why the shareholders of NOVAGOLD will likely be extremely surprised—in fact, astonished—for the reasons that NOVAGOLD is going to outperform its peers in the sector is first and foremost because this industry sucks. It's terrible and it's only going to get worse, which means that those who have the category killer assets that do well in any industry that sucks make superior returns, and I don't know about you but I'm in this to make a lot of money, and I believe, and the team of people that work with me at Electrum believe that not only is the Donlin asset, which of course is our flagship, the very best of its kind in the world, was that it's unique; that there is no other gold asset in the world which has its combination of size, exploration potential, grade, production profile, mine life. It doesn't exist anywhere, not even in Russia, and yet, most importantly, it's not in Russia. It's in the second largest gold producing state of the safest jurisdiction in the world. When you have those assets in combination, you don't have a great asset; you have what in this industry will be viewed as the Holy Grail. So, let's take a look at the industry itself.

Gold mining production has peaked. In fact, I think this chart understands the severity of the peak in gold production, because it's not just going to plateau. Projects that people thought were going to be built in the developing world are dead. They're not going to be built. When you add to that, the already plateauing production, what you're talking about is an accelerated decline. This in and of itself is determinative for our thesis. The fact is that major mining companies are producing gold faster than they can replace the reserves. The fact is that despite spending 10 times in exploration from 2002 to 2012, the amount of gold discovered in 2015 was down 85% compared to 2006. In other words, the major mining companies are depleting their reserves. The junior mining companies can't find anything. What does that mean? That means that we're already in a situation that argues for higher gold prices. But I would add this. Let's say for interest's sake that someone were able to find two, three Donlins—it's not going to happen. It now takes over 20 years on average to go from discovery through to production.

We in the oil industry understand that there are large, untapped reservoirs of hydrocarbons which, with new technologies, one can gain access to. It doesn't exist in gold. You don't have this 3D seismic to

be able to find it. You don't have fracking, or horizontal drilling to be able to extract, and the truth is we don't have big, unlocked deposits of it. Not even in the risky jurisdictions of the world. This is an accident waiting to happen.

It gets worse. Grade has collapsed. The average grade has collapsed, depending on the sources, from 40% to 50% over the last 10 or so years. What does that mean? This is basic math. If you've got a deposit producing at 1 gram a tonne, which is where the industry is now, versus the 2 grams that it used to be a decade or so ago, your unit cost has gone up twice. It's just basic math. If your tonne of dirt can produce twice as much as someone else's tonne of dirt, then all things being equal, *caeteris paribus*, your cost of production is 50%. The fact is people can't find it. The grade has collapsed.

So, the costs are going up at a time when people can't find it. It's like the beginning of *Annie Hall*. This is for you, Misha (phon 25:50). Woody Allen is giving a little monologue before he gets into the story and he describes two women staying at a resort, presumably in the Catskills Mountains, and one of them says to the other, "You know, the food here is disgusting." The other one says, "I know, and the portions are so small." Welcome to the gold industry.

I cannot stress enough how important jurisdiction is to the mining industry, and I say this as somebody who—as an American particularly—was regarded as not being remotely squeamish. As they say in the mafia, made my bones in Bolivia, Zimbabwe, South Africa, Congo. That era is over. Every month—I'm being generous. It's now every week or two that you wake up and another country has effectively nationalized their assets. A few months ago it was Tanzania. Then it was Congo a few weeks ago. Then, Mali said, "You know what? We're going to do what Congo did, and either we do it with the approval of the mining companies or we'll do it just by fiat." Then Ghana said, "Well, you know, maybe we should do what Mali did." You just think about it. When you're in a jurisdiction that is allowed to get away with nationalization or confiscation, *de facto* or *de jure*, it makes it impossible for its neighbours not to do the same; otherwise, the president, be it in a democratic government or even in a dictatorship, has to answer to the charges of corruption, maybe collusion with the mining companies. Nobody wants to do that, and the truth is nobody's paid to do that. The path of least resistance is to take it, because in mining we're not like textile manufacturers. We don't make semiconductors. We can't move our plants to lower wage jurisdiction. Basically, we're people who sit right above a hole in the ground and we live off of the generosity of strangers who allow us to do it as long as we can.

I can tell you, I started in 1993 in this business and made my way to Peru and Bolivia and Tajikistan and Kyrgyzstan and Kazakhstan and Mongolia and all the rest of them; the game is over. The secret to making money in this business and really making a lot of money in this business is being able to have category killer assets in jurisdictions that will allow you to keep the fruits of that leverage because the word of law means something, because private property is protected.

Think of how many companies actually own assets that fit that bill and you'll understand why you can see something like a NOVAGOLD go from \$4 or \$5 to \$24 or \$25 in a heartbeat. In fact, we did. In 2010 we went from \$5-ish to \$15, \$16, and think of what we were facing then as headwinds. Relations with Barrick were completely different than what they were today. People didn't believe that you could permit a mine in Alaska without opposition. There was no balance sheet. There was no Greg Lang and Dave Ottewell and Dave Deisley. None of those things existed. We lived in a very, very different world. We had headwinds when we went from \$5 to \$15; now all of those headwinds are tailwinds. It will happen again.

To point on the supply side—excuse me, the demand side—suffice to say that it used to be that if people needed access to gold they could go to the official sector and get it from central banks. Central banks are not selling gold. They can't. No bureaucrat is going to take a career risk on selling gold when, as you can see from what's going on in Germany, people want to see that their gold is repatriated, and the central bankers themselves understand that what they have in their reserves is paper that can be printed because they have been printing \$5 trillion of it over the last decade. They know that the only real asset that can't be printed is gold. You don't have to be a gold bug to see it; it is what it is. It doesn't represent someone else's liability. It doesn't represent something that a central banker can add to his balance sheet willy nilly. You either have it or you don't. People understand that and so the selling of gold has stopped at a time when China and India are competing over who's going to be the most important buyer of a strategic and scarce asset.

There are a lot of fundamental reasons to own gold. We don't need any of them. The fact is that I can add another 20 or 30 black swans to this. The sky is darkened with black swans but I don't feel that it's necessary to focus on them. Sure, gold is a great inflation hedge. Some would say it's an even better hedge against deflation. Let's face it, gold has gone up fivefold, sixfold, as high as sevenfold since its lows. Tell me the last time people started to talk about inflation, characterizing that rise. It's a myth.

The same way that dollar strength or dollar weakness is a necessity for gold prices to go up. Since the start of the financial crisis, I can tell you when we sold our energy company, dollar/euro was \$1.47 against the euro in November of 2007. The dollar has strengthened to \$1.20 and gold is twice as high as it was because it's a myth. The price of oil was \$120 in those days; now it's a fraction that. At one point it was a small fraction of that, and yet gold managed to double, to triple at one point. That's because those who would say that oil and gold are the same thing, that they're commodities, are wrong.

Gold is a currency; oil is a commodity. Think of it like this. Intelligence is a commodity. Millions of people graduate from universities every year. Character is a currency. Very, very different things, and that's why when you take into account all the things that are happening that show that the mining companies can't mint money at a time when central banks have shown that they can mint anything, everyone should have a piece of gold.

You can all read. I could add even more to this. The beauty is that as we're sitting here looking at the equity of a mining company, the greatest place to be in gold is in one of the very, very, very rare assets that will give you leverage to what will be in one or two phases the largest single pure gold producing mine in the world in the safest jurisdiction in the world. That is the Holy Grail.

This is a very interesting observation, and it starts—and I have to point it out—that Bloomberg's macro strategist starts by saying gold bugs because we are indeed the only bulls in any sector who are derided as insects. There are not stock bugs. There are no bond bugs. We are bugs. Gold bugs point to a myriad of reasons to own their favourite metal. From fiat currency to basement to gold's history as a monetary unit, among the favourites is gold's utility is protection against a market or political crisis. So you see the bias that he brings to the story.

However, when I set out to do the analysis, my bias and expectation were to find that the putative relationship between gold and risk aversion was simply a myth, yet the statistics appear to show a relationship and anecdotal evidence supports the notion. Given the solid performance of a portfolio including gold and the chance that the comfort of owning some might prevent investors from panicking at the height of a crisis, I have to conclude that the notion of gold as a hedge against serious risk aversion is true.

This is extremely important because gold ownership as a percentage of financial assets is at an all-time low. The slightest change in sentiment that causes any movement into gold is going to cause gold to multiply. Think bitcoin. A year ago when bitcoin was \$1000—I guess a little bit over a year ago—it was derided. People were saying it's for morons, it's for stupid people. I personally have no opinion about it whatsoever, but what I do know is this. The same people who derided it at \$1000, at \$15,000 were creating ETFs out of it and saying that this was now an asset class. The only thing that had changed was that the price had gone up. When gold starts to move it will be a wonder to behold because there's nothing like what you see with gold fever.

I believe that this chart, as with the chart on production figures, I believe that this chart is understated. There are many reserves that gold mining companies have, and I'm not going to go into the specific, that really don't qualify as reserves, and are going to have to be reclassified. This is about as good as it gets and it's already in a decline. So, realizing substantial returns lies in identifying the sector with fundamentals ripe for a major upside move, selecting the best vehicle of choice, partnering with the best management team in the business and executing the strategy of taking the assets up the value chain to fully capitalize on the move in the sector; a genius wrote those remarks. You can thank me later.

I don't believe that there's a better vehicle than NOVAGOLD in which to be able to play gold, for two reasons. Number one, we have the attributes that the way that we're structured financially, we don't have to raise money for years. Even if gold were to have one more head fake to the downside and require people to hunker down—there would be a lot of companies that would go bankrupt, we wouldn't be amongst them. We would be the last man standing. From a risk standpoint therefore, we are structurally suited to be able to deal with negative news in the gold market until gold starts that next leg up, but the best part about it of course is that we have exposure as a pure play on the Donlin asset, and the Donlin asset, for all the attributes that you're going to hear, it's just unique. If I'm remotely right, we're going to see the equivalent, as Doug Casey used to call it, of Hoover Dam going through a garden hose, when people say they want exposure to a high octane asset, but in a safe jurisdiction, that when they go to their Investment Committee and someone asks them, "Would you be willing to go on a site visit there?" that they'd say, "More than that, I'd be willing to take my family. They can go whale watching and fishing while I go into the interior." That's a huge competitive advantage.

Everything that the Company has said that it's going to do over the last years, it's done. You saw the press release on the final EIS. We have alignment with Barrick on Donlin Gold. We're in Alaska. We couldn't have had better support from the native corporations who are our partners on the ground, all the way through to the Governor's Office. Galore Creek, beautiful. One day it will be the largest and lowest cost producer of copper in Canada. Not Collahuasi – Canada. When you see the things that are going on in Africa, when you see what Freeport is enduring in Indonesia, being able to get into one of the best copper assets in the world and it's in Canada will be catnip.

Greg Lang, people ask me, "Why are you chairman? You're not chairman of any of the other things in which you have big ownership stakes," and I mean sometimes as high as 70% or 75%, and I give the real reason. It's not because I'm monitoring my investment; it's because Greg and his team make it enjoyable. Otherwise, there is no reason structurally whereby any mandate that requires me to be here. I just love working with them. That and the fact that I know that they are stewarding up the value chain the best asset in the world makes me want to be closer to it and to be part of it.

With that, I will take your leave. Thank you for your indulgence, and pass the baton to Greg Lang.

GREG LANG:

Thank you, Mr. Chairman. We're a development stage company. A lot of companies in our space are looking to partner with major companies, and we're fortunate our two assets already have great partners. Galore Creek we co-own with Teck, Canada's largest diversified miner. Donlin Gold, which this company is about, we co-own with Barrick, one of the largest gold producers in the world.

Donlin, when we restructured this company, it's been about six years. We made a commitment and we've never wavered from that commitment to advance the Donlin Gold project. The reason we are so focused on Donlin is it has all the attributes that we look for in a successful mining project.

It's big. It's got 40 million ounces and room to substantially expand that when we resume drilling. It's got grade. As Dr. Kaplan mentioned it's 2.25 grams, which is twice the industry average, and there's many mines out there that are making money at half that grade. It's one of the key attributes of any mine is grade.

We've also got great partnerships. We have essentially life-of-mine agreements with the underlying owners of the mineral estate and the surface rights, that being TKC and Chalista. They're Alaska native corporations who have a very impoverished part of the world for their residents and their members, and they want to see this mine get built more than anything else. They don't ask us about the mine, it's, "When can we get started?" They really want to see this happen, as does the governor.

To put a resource like Donlin in perspective, this slide highlights many of the other development stage gold projects. Donlin isn't the largest but it's far and away the best grade of the undeveloped gold deposits, and many of these deposits are less than a gram, some of them quite a bit less than a gram. They're never going to happen. Grade is what really matters in a gold mine and Donlin has got grade and it's got scale, and it's got the right address. That highlights again the attributes of Donlin.

If Donlin were built and in production today, as envisioned in the feasibility study, it would be the largest primary gold mine in the industry. It would average 1.5 million ounces a year for five years followed by decades of a million ounces a year. It is a substantial asset and its output is better than twice anything that's out there on anybody's books.

This highlights where are the big deposits in the world right now. As you can see from the map, very few of them are in safe, stable jurisdictions like Alaska.

This slide, this is one of my favourite slides. I think we actually borrowed this from our partner's presentation. It shows the mineralized trend at Donlin. Over the years our exploration activities and our recent drilling has focused on the ACMA and Lewis areas where we've defined over 40 million ounces. When the time is right, we'll resume drilling up and down the trend. As we've noticed from some of our recent drill results, the more we drill, the more we enhance our understanding of this asset.

In February, we released these drill results from a program we conducted last fall, and frankly, they were some of the best intercepts any company has produced in recent years. I'd highlight 130 metres of 6 grams, 65 metres of 5 grams, 30 metres of 10 grams. These are fantastic drill results and some of these lie outside the reserve pit, demonstrating really the robust quality of the mineralization at Donlin.

Also, we've got a great site. We're only at an elevation of 250 metres, 300 metres, fairly gentle, rolling topography. We're out in a, for Alaska, relatively arid area, and we have no neighbours. There's no commercial activity or tourism activity anywhere near this site. It's frankly a great spot to build a gold mine.

What are we doing with this drilling? Yes, we've been working on optimization studies with our partner. We've looked at potential advantages of building the project in stages, and one of the possibilities of mining with a smaller fleet is you might have the ability to enhance the grade, especially in the early years. The drill program we've just completed was produced to verify that hypothesis, does the high grade occur in discrete enough zones to mine separately? I think we've certainly demonstrated that. The next steps, we're working with Barrick to update our geologic understanding of the block model and incorporate this into the ongoing mine planning and optimization work.

This is just a commentary from Kelvin Dushnisky, President of Barrick. As Tom mentioned, Barrick, frankly they've come a long way in recent years. They've had to make some tough decisions and sell some assets, and we're pleased with the progress they're making. They're a good partner and they've been involved with us through all of their trials over the last few years.

This other important aspect, Donlin has returns, positive returns at these prices, but what's really key to shareholders of the Company is those returns have tremendous leverage to gold price. If we see an increase of \$2000 an ounce, the returns almost quadruple, so it really is a leveraged pure gold play focused on the Donlin asset.

Alaska, it really is a great place to do business. When the federal government and the State of Alaska wanted to develop the petroleum resources in the state, they needed to settle the various overlapping claims that the native people had. When they did this, they transferred certain of these lands to native corporations. The land around Donlin was known to have mineral potential; it was designated for mining-related activities and transferred to the native corporations for their own economic wellbeing and self-determination. This is essentially private land and the government has in essence a treaty that allows the native corporations to use this land for mining activities.

Our native partners have been very visible and vocal proponents of the project, as we've navigated the permitting process.

We talked about geopolitical uncertainty earlier in our meeting, and as I've worked all over the planet in my gold mining career, every place out there continues to get tougher and tougher, and frankly, I quite enjoy travelling to Alaska. I like doing business in Alaska. It beats many of the places people are contemplating investing in the mining industry.

So, where are we at in the permitting? We've spent the last five years or so steadily working our way through the EIS process. Permitting in the United States, it's very visible, very public and a very transparent process. It is time consuming, there is no way around that, and I think the last few years of relatively choppy gold markets, we've steadily gone about permitting. As you noticed in our press release a week ago, the notice availability of the final EIS was published in the Federal Register and that's a key milestone in these activities. We view the time invested in permitting, frankly, as just the blink of an eye. When you've got an asset that's been under development for over 20 years, and once built will have a mine life in excess of 30 years, it's an investment we're quite happy that we've made.

A little bit more on the permitting process. The Army Corps of Engineers has published the final EIS. They've advised us it will take about four months to write the Record of Decision, which is essentially the conclusion of the federal permitting process. While we've been working our way through the EIS and focused primarily on that, we have also been seeking the various permits that we need from the State. We've received many of the major permits already, and we anticipate the other ones will be issued about the time that we get the Record of Decision from the Army Corps of Engineers.

This is when the governor took note that we published the final EIS, he was very positive on that. He says, "The company has already proven its commitment to engage local stakeholders and make sure development is done in a responsible manner." Frankly, it's great to be doing business in a place that you are not just tolerated but welcomed and encouraged.

These are the upcoming steps as we conclude our optimization studies with Barrick. It's our intention to wrap these up concurrent with the Record of Decision, and as we go through these studies we will continue to update our shareholders.

Galore Creek is a pretty significant copper/gold/silver asset in its own right. Two big assets are too much for a company like ours and we've been—we're not motivated sellers. We've been very patient

with this asset, but I think with the renewed interest we are seeing in copper projects and higher copper prices, I think we will be presented with an opportunity to perhaps monetize this asset this year. We've been patient. We are not motivated sellers but at the right price we will sell it to further strengthen our balance sheet and help fund Donlin.

That gives you a sense of the returns that are potentially available by the development of the Galore project. All of the jurisdictional issues that face the gold industry are equally bad, if not worse, in the base metal industry. Assets in North America will command premium valuations.

The Company is strong financially. We've got \$70-odd million in cash. Our burn rate this year is a little bit higher but most of that is discretionary technical work and drilling we're doing with our partner. We'll finish this year with over \$50 million in cash. We'll have our major permitting behind us. We could make that balance last a very long time if we find ourselves in that circumstance.

We're also fortunate we have a very stable shareholder base. Over half the equity in this company is held by our top five shareholders and I'd say probably 80-odd% percent of this company is institutionally held. We are definitely an institutional quality gold vehicle.

That wraps it up. We've got great assets, a great balance sheet, operating in safe places and good partnerships in all aspects of our business. I think we will now turn it open to questions.

Yes?

MALE SPEAKER:

Do you have any idea (inaudible 54:10)?

GREG LANG:

The question, if it wasn't picked up on the mic, is when could the property be in production? Later this year we will have the authorization but not the obligation to start work at site. If we proceeded with the project as envisioned in the feasibility study, it would take approximately an additional year for engineering and about three to four years to build it depending on which season you started in. We are—some day this is going to be a great mine. When the time is right, we will move forward.

MALE SPEAKER:

The question that I had was how much—the next question—do you hear me? The next question that I have is how much money it will cost to put the mine into production, just an estimate.

GREG LANG:

When the feasibility study was completed in 2011, it was envisioned as a large-scale mining project with an investment of about \$6.5 billion. We've been working with our partner over the last few years on what makes the most sense to build in today's environment—perhaps you build half now, half later—and we're looking at third party participation in infrastructure. And frankly, a lot has changed since the feasibility study was done. Many of the bulk inputs into projects like this have softened; energy, which is a key driver in the operating costs has also come down. So, when the time is right and our studies are wrapped up, we will update our shareholders, and that will be sometime later this year, towards the second half.

All right.

MALE SPEAKER:

A question to Tom. I'm just curious, if we see gold go to \$4000 or \$5000 or higher, which I have no problem with, what impact will that have potentially on the ability to produce a lot more ounces down the road?

THOMAS KAPLAN:

You mean will that bring up more ounces?

MALE SPEAKER:

That's right.

THOMAS KAPLAN:

Nothing of significance. If the demand is such that people realize that they have to have some gold in their portfolio, it will dwarf, dwarf by dozens, if not 100-fold, the amount of gold that can come out. As I mentioned, we're not in the same category as the hydrocarbon industry. The horse has already left the barn. The low-hanging fruit has already been found. As shown by the collapse in grades, not only is the quantity of gold falling but the quality of gold mines is collapsing, and every once in a while you'll

see this reflected in the share price of companies where the grade is at a level that it can be extremely unforgiving. We literally will be starting Donlin at a grade that if we lost the industry average we would still be able to function. That's an extraordinary autonomy.

So, what I'm saying is that the gold simply isn't there, and if you found it, it would take over 20 years, which, as you can imagine, effectively means it's not there. This is what you call a perfect storm. When gold prices rise, that's it, and we already know that many major mining companies are producing gold at higher grades than their reserve grade. That means that they're borrowing from the future.

We've looked at it in every way, and again, we look at this in the same way as we looked in the past at silver, PGMs, hydrocarbons. How do you measure the supply/demand equation and then find the best vehicle to give you the greatest leverage to that thesis, and by that I don't mean financial leverage but I mean leverage to that underlying asset. In that respect, when you look at NOVAGOLD, what you're looking at is the greatest call option on those higher gold prices. We will very soon have a permitted mine in the United States. We've called this strategy, by the way, the tortoise and the hare. When we started permitting, people used to say, "Oh my God, it's going to take so long," or, "They'll never get there. There are other projects which are going to be producing long before."

Some of those projects started production, and were nationalized. Some of the other projects never got to start production because of social disturbances or other problems in the tropics. Like I said, that era is over. It does even get worse than that. Let's say gold prices go to the \$3000, \$4000, \$5000 level. But let's say it's not simply because of benign influences, Chinese and India demand. Let's say it's coincident with an economic downturn that stimulates more unconventional measures from governments that helped to propelled gold to nearly \$2000 in the past. Then game it out just a little bit. If you have that recession, and it can come from anything. We've seen near depressions happen because of the Thai baht, because of the Mexican peso, because of subprime, because of technology busts, the butterfly effect. But what if the price of gold goes up because the price of everything else is falling? Is that unrealistic? Well, that's precisely what happened in 2008/2009. Assets all over the world collapsed, except for gold.

Now, if that happens again and you're in a country that produces commodities as well as gold, and the commodities collapse and therefore the tax base collapses, you tell me, in that scenario with already

people nationalizing things in relatively moderate economic conditions—some would say in fact booming conditions around the world—what are the chances that that asset won't be taken away? Or maybe the leader will say, "You know, it's a temporary measure, but, you know, we've got people, they need food. We're not making money from," fill in the blank. "You can't expect that we're going to allow you to just reap that windfall, do you?"

Unless you're in a place where the rule of law isn't a novelty, I'm willing to bet that those assets will be taken away, and what will that do to gold production? It's already impossible to finance many gold assets in the developing world. What if they look even more like what the British refer to as a dripping roast ready to be carved? Again, all roads lead back to Alaska.

GREG LANG:

Well, thank you for joining us this afternoon. There being no further questions, we'll conclude the meeting.

OPERATOR:

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