NOVAGOLD Resources Inc.
Third Quarter Financial Results
Conference Call and Webcast Transcript

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Speakers:

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Vice President, Corporate Communications

Gregory Lang
President and Chief Executive Officer

David Ottewell
Vice President and Chief Financial Officer

Dr. Thomas Kaplan
Chairman of the Board

Operator:
Welcome to the NOVAGOLD Third Quarter 2021 Financial Results Conference Call.

As a reminder, all participants are listen-only mode, and the conference is being recorded. After the presentation there will be an opportunity to ask questions.

I would now like to turn the conference over to Mélanie Hennessey, Vice President, Corporate Communications. Please go ahead.

Mélanie Hennessey:
Thank you, Claudia. Good morning, everyone. We are pleased that you have joined us for NOVAGOLD's 2021 third quarter financial results and for an update on the Donlin Gold project.

On today's call, we have Dr. Thomas Kaplan, NOVAGOLD's Chairman; Greg Lang, NOVAGOLD's President and CEO; and David Ottewell, NOVAGOLD's Vice President and CFO. At the end of the webcast, we will take questions both by phone and by text. Additionally, we will respond to questions received by email.

Before we begin the presentation, NOVAGOLD would like to recognize that today is the inaugural National Day for Truth and Reconciliation in Canada. As a long-term partner with Indigenous communities in North America, we acknowledge the history of the land we operate on and reiterate our support of partnerships among all peoples to build a better, stronger, and more inclusive society where all people achieve their full potential and share in prosperity. Thank you, and Quyana.

I would like to remind our webcast and call participants that as stated on Slide 3, any 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 forward-looking disclaimers that are included in this presentation.

I now have the pleasure of turning the presentation over to our President and CEO, Greg Lang. Greg?

Greg Lang:
Thank you Mélanie and good morning, everyone.

For those of you new to the NOVAGOLD story, the Donlin Gold project is located in the western part of the great State of Alaska, as shown on Slide 4, and is a 50/50 partnership with Barrick Gold. Mining is an important part of the Alaska economy.

A special note this quarter is the receipt of $75 million as a second payment from Newmont from the sale of our Galore Creek project in 2018. This has boosted our cash position to $173 million at the end of this quarter.

In terms of scale, quality, exploration potential, and jurisdictional stability, Donlin Gold's attributes far exceed any other global development-stage project. When combined with our longstanding Native Corporation partnerships, the exponential leverage to rising gold prices, and experienced management team and Board, long-term supportive shareholders, and key State and Federal permits in hand, NOVAGOLD is not just rare, it is unrivalled.

In September, I had the pleasure of visiting Anchorage and the Donlin Gold site with members of the Barrick senior leadership team, including CEO Dr. Mark Bristow. We had an intensive technical review session and a thorough site visit, as well as meetings with key stakeholders. A few of the photos from the site visit with Mark and his team can be seen on Slide 5. As a result of the visit was the approval of additional funding by the Donlin Gold Board to lay the foundation for a new feasibility study.

With Donlin steadily moving up the value chain and becoming a late-stage project, Barrick, NOVAGOLD, Donlin Gold, Calista, and TKC have closely collaborated in all government affairs activities. Donlin Gold worked alongside Calista and TKC during the Federal permitting process, culminating in the granting of the Federal record of decision in 2018. The partners continue to work to ensure that the project receives the attention it deserves in Alaska and with senior Biden Administration officials in Washington, D.C. One key distinction about the Donlin Gold project is that it is on private land where the minerals are owned by Alaska Native Corporations who have the mandate to provide economic and social benefits for their stakeholders. During our recent trip to Alaska, we met with Senator Murkowski, who is pictured on the top right on Slide 6.

We have been fortunate to have zero COVID cases at the Donlin camp during this latest field season. When cases started to rise in Alaska again this summer, we enhanced our community and workforce protection plan with an outline of some details on Slide 7. We wanted to ensure safe operations could continue and that our workforce remained healthy. Careful collaboration with Calista and TKC, as well as other tribal groups in the YK region has been key to this success. Restrictions are in place for the Donlin Gold Anchorage office following two positive cases, and all Donlin Gold employees who may have been exposed are tested and quarantining in accordance with our COVID mitigation protocols.

On Slide 8, you can see a quote from Mark Bristow from our September 2 joint release with the initial assays from our 2021 drill program. Again, we have reported some pretty impressive numbers for an open pit project.

Great initial assay results from the 2021 drill program were achieved and some of the best of these intercepts are highlighted on Slide 9. We reported assays from 29 holes for a total of approximately 7,500 meters of drilling. The drilling was completed in late September with 79 holes, totaling a little over 24,000 meters. To date, the program revealed significant high-grade drill hole intercepts, particularly in the ACMA area and the Divide zone, which lies between the ACMA and Lewis deposits. Examples of high-grade intervals include Hole 1970 with 92 meters at 8 grams and Hole 1963 with 40 meters at 10 grams, very impressive results. Additional assays will be released to market in the coming months.

On Slide 10, you can see a longitudinal section of the two deposits. The 2021 program is yielding great results in both the ACMA and Lewis area, and we're particularly encouraged by the results in the sparsely drilled Divide area between the two deposits.

Over the past decade, the owners of the Donlin Gold project have brought the project up the value chain and now have the Federal and most of the key State permits in hand. Currently, three permits are under appeal, the first one, the Clean Water Act 401 certification was appealed in Alaska's Superior Court; second in June, the project received our Water Rights permits and they were appealed by an NGO, we anticipate a decision on this appeal next year; and third, the Commissioner upheld the State right-of-way agreements for the natural gas pipeline, and this was an NGO-requested administrative review of this permit.

Now unfortunately, litigation is part of the permitting process. Many NGOs oppose resource development of any kind, and this has been a regular course of business in the U.S. It's something we anticipated and built into our planning since the start of permitting. We are not surprised by these appeals and are building a comprehensive science-based record, and we believe the project is in a strong position to defend any legal actions.

Donlin Gold is committed to support the needs of its community partners. Slide 12 includes some of the third quarter community engagement highlights. In August, Donlin Gold was a major sponsor of the "In It for the Long Haul" with the Association of Village Council Presidents and other regional partners on the fourth and largest ever backhaul project to remove hazardous and electronic waste from 26 villages in the Y-K region. By removing and properly disposing of these wastes, it keeps them out of the village landfill and protects the natural resources in the area.

With an agreement signed with the Upper Kalskag during the third quarter, Donlin Gold now has signed eight Shared Value Statements with villages in the region that formalize current engagement with key local communities. These agreements expand on the long-term relationships already established with these communities and address specific local needs, such as water, sewer, landfill projects, salmon studies, and mental health programs.

As you can see on Slide 13, we are often asked about the structure of our partnership. It is a true 50:50 project overseen by two appointed directors from each company and the chair alternates annually between the companies. Last year, Catherine Raw, Chief Operating Officer for Barrick North America was Chairman; this year, I hold that position.

Another question we are often asked is where does Donlin fit in the Barrick portfolio? Donlin is their only greenfield project located in North America.

Donlin Gold is on private land that was specifically selected for its mineral development potential under the 1971 Alaska Native Claims Settlement Act, as shown on Slide 14. This is a key distinguishing factor from other mining assets in Alaska and the U.S. This is the 50th anniversary of the landmark act supporting Indigenous populations in Alaska. As landowners, Calista and TKC are committed to developing a mining operation consistent with their Elders' vision of responsible development that creates jobs and economic benefits while safeguarding the environment and their culture. We are thankful for their long-term support and commitment to the project. They play a key role in its continued success.

NOVAGOLD has approached the disclosure of our environment, social, and governance performance pragmatically as a development-stage company, disclosing benchmarks that we believe are most relevant measurements of our performance. We produced our first inaugural Sustainability Summary report early this year and have regular interactions to provide updated information to various groups, as well as investors and other stakeholders. A selection of the performance measurements we used in 2020 can be found on Slide 15.

NOVAGOLD is committed to responsible mining, stewardship of the environment, and adding value to the communities in which we operate. We believe that mines can be developed in collaboration with people who have the local knowledge to help minimize environmental impacts while benefiting from economic activity.

As one of the largest gold development projects in its category, we recognize that Donlin's scale is remarkable. With approximately 39 million ounces of gold in the measured and indicated categories and a mine life measured in decades when compared to the 14 large-scale gold projects in the Americas, as shown on Slide 16, Donlin is five times bigger than the average. The scale of Donlin, combined with its grade at 2.25 grams, as shown on Slide 17, is twice the global average for open-pit deposits. As currently envisioned, the Donlin Gold project will average over one million ounces a year throughout the life of the mine, as shown on Slide 18. Donlin Gold's annual production profile far exceeds the average of North and South American peers. As global gold production continues to decline for most of the majors, it is clear the industry needs projects with scale, grade, and longevity, all of which Donlin offers – and in a favourable jurisdiction.

Only three of these operations produced more than a million ounces in 2020, as shown on Slide 19. You can see the Donlin Gold project in Alaska. The top five largest development-stage gold projects are in dark blue. Three of these are in North America, and if you combined all three, they are still smaller than the Donlin Gold project. Whether in production or in development, Donlin Gold would rank among the top operations globally if it was producing today. Looking globally, there's only one development project that has both scale and a desirable mining location, and that's the Donlin Gold project.

While we are focused on the 2021 drill program, permitting and modeling work, we have not lost sight of one of the projects most important attributes: Donlin Gold's truly exceptional exploration potential. The project's endowment is contained within three kilometers of an eight-kilometer mineralized belt, as shown by the ACMA and Lewis pits in gold on Slide 20. This mineralized belt represents only 5% of our total land package.

As shown on Slide 21, there are several catalysts in the coming months with the approval of Donlin's budget increase. We will advance studies and increase staffing. Also this fall, investors can expect to see additional assay results from the 2021 drill program to add to the results that we distributed earlier this month. The balance of the year will follow in 2022, along with the work program for next year. This is a solid foundation on which to advance this rare and unique project. We feel the time invested upfront to develop responsibly and sustainably is critical to the project's success.

With that, I will now turn the call over to David Ottewell, our CFO, to review the third quarter financial results. Dave?

David Ottewell:
Thank you, Greg. Our third quarter operating performance is highlighted on Slide 22.

We reported a net loss of $11.8 million in the quarter, a decrease of $0.9 million from the prior year quarter primarily due to foreign exchange movements, partially offset by higher permitting and legal costs in Donlin, lower interest income, and changes in the fair market value of marketable securities.

Third quarter cash flows are shown on Slide 23. As Greg mentioned, we received $75 million from Newmont related to the sale of our interest in Galore Creek. Donlin Gold and G&A spending were consistent with the prior year quarter. Working capital, interest and other was $1.3 million lower than the prior year quarter, primarily due to lower interest income earned on cash and term deposits.

On Slide 24, we note our robust treasury. We ended the quarter with cash and term deposits of $173 million. An additional $25 million is due from Newmont in July 2023. For the full year, we now anticipate spending $32 million, including $19 million to fund our share of Donlin and $13 million for our corporate G&A costs.

I will now turn the call back over to our Chairman, Thomas Kaplan.

Thomas Kaplan:
Thank you very much, Dave, and thank you very much Greg.

On Slide number 25, we talk about NOVAGOLD as having been a company that keeps its promises and enjoys excellent partnerships. When Greg Lang and I became both the CEO and Chairman respectively of NOVAGOLD 10 years ago this coming quarter, we made certain promises to investors. We promised them that we would become a pure play on what we considered to be the premier gold development project in the world today. Our attitude, which we conveyed to investors, was that in terms of the scale and the quality, the exploration potential, the potential place on the cost curve, the mine life, and ultimately, the existential attribute of jurisdictional safety, rendered the Donlin project simply so much the best-in-class that we would ask the question, unless there's something better, it's actually unique.

To achieve the aim of being able to have a pure play on this extraordinary asset, one which we consider to be potentially the new Nevada, we promised that we would spin out the 100% owned Ambler project, and we did so in 2012 to create NovaCopper, now Trilogy Metals. It's turned out to be an excellent story in and of itself and is in a fine partnership with South32. We also promised that, as part of our program of becoming a pure play, that we would monetize the Galore Creek project. We did this in 2018 with the sale of NOVAGOLD's 50% interest to Newmont for up to $275 million, as you can see by the fact that our treasury is as robust as it is. The combination of the capital raising, which we did in 2012, and I hasten to add have not had to do since then, to the benefit of our shareholders not having to have been diluted, and the sale to Newmont, we've kept to our promises and put ourselves in the position where we have one of the strongest balance sheets in this space.

Meanwhile, we also promised that we would be able to take the Donlin project in partnership with Barrick up the value chain. After the 2011 technical report, we commenced permitting in 2012. There were a lot of people who said, this is going to be a challenge. We said, we do not see challenges to our project, and in fact we were able to take this all the way through in 2018 to the receipt of a Record of Decision and our major Federal permits. Along the way, we had successful drill campaigns which continued to show the extraordinary potential of Donlin's geology, and we also received our key State permits.

We've been aligned on project strategy and timeline with Barrick Gold. Barrick is, of course, our equal partner at Donlin. We have a 14-year history of building value together with an unwavering focus on stakeholder wealth creation, technical excellence, environmental stewardship, and social responsibility. We have a constructive and positive relationship with Barrick. We respect their corporate objectives, we respect their financial discipline, and we respect tremendously their focus on geology and excellence. These are not only shared interests but shared values.

The culture of mutual respect between NOVAGOLD, Donlin Gold and the people in remote villages and throughout Alaska is absolutely for us a sacred bond. We have well established partnerships with Native Corporations. We engage with them in activities to enhance employment, scholarship, workforce development, and environment programs in the region. These are resources that need to be developed for the benefit of all stakeholders, and we are absolutely delighted that we are as aligned as we are with everyone from the local communities through to the State and Federal governments.

Onto Slide 26, we are in a bull market in gold. Gold has a tendency to do what you least expect it to do, and what you see with gold is that we are right now within a consolidation period within a long-term uptrend that we think has really only begun. If you look at the price chart on Slide 26, what you will see is an absolutely beautiful example of what a bull market looks like – but put aside the chart for a moment. All of the factors that have given us the feeling and the very strong conviction that gold is going to multiply from here are still there; in fact, they're even stronger. The supply pressures have been extraordinary. If you look at Barrick's own projections, gold production is due to decline for years.

The discovery rates have dwindled, the exploration budgets are inadequate, the ore grades continue to fall, production costs as a consequence of those falling grades are rising, the central banks continue to be buyers, not sellers, and last, what in my mind, as someone who has visited 110 countries, give or take one or two, and has been involved in resource development in many of them, the jurisdictional risk is now existential. I think it's fair to say that location-location-location is the name of the game. If you're not in a place where, when you go to sleep at night, you can wake up in the morning knowing that whatever you thought you owned, you still owned, it hasn't been overrun by Al Qaeda-affiliated groups, it hasn't been taken over by resource nationalists, the local communities have not withdrawn their social licence, if you're not in the right place, it doesn't matter what you found, you're not going to be able to keep it. The rule of law is a novelty in most places and as a function of a number of different factors, including the budgetary pressures brought on by COVID and other geopolitical considerations, it's not getting any better, it's only going to get worse. Once again, location-location-location.

Meanwhile in addition to these supply issues, you have the demand drivers, asset diversification. Gold is an historic safe haven asset. It's a currency that can't be printed. If anything, the printing of that currency by those who mint it is in decline. You have gold as something that provides you with inflation protection and deflation protection, and it has a multi-millennial provenance that no other asset class of its kind can provide. Then there's the emerging market demand, all of which is pointing towards higher gold prices.

If we go to Slide 27, you can see that those who are in the know, the Central Banks who are the most keenly aware of how precarious is the monetary stability brought on by currency debasement, they have continued to be net buyers of gold. It's often said that sometimes art is defined by, quote, that which a museum has in its collection. That's a debatable subject, but what I would say is for sure, the fact that Central Banks are buyers is a very, very bullish sign. They are the ultimate insiders. We know that they are not likely to tell us just how bad currency debasement is likely to be, and so by buying gold they are voting with their feet.

The next slide on Slide 28 shows something which really does point to the excitement that we have about Donlin, because it really does meet all the challenges that the industry is facing. There really are very few large gold projects that are poised for development, even with the increased exploration spending in the last decade. Let's not forget this: if a Donlin were discovered today, or a large gold deposit anywhere were discovered today, the likelihood of it being turned from a prospect all the way through the value chain of exploration, of studies, of permitting, of construction, you're talking now on average a couple of decades. With gold production in decline, with discoveries fewer and far between, the horse has already left the barn. What counts now are those things which are big and high quality. When you look at Donlin, what you see is absolutely the answer to that call.

Existing mines are being depleted. Their grades are declining. Few discoveries are there to replace them. Reserve growth between 2010 and 2019 averaged 52.7% mainly as a result of major acquisitions. The top 19 gold producing companies' reserves have decreased an average of six years between 2010 and 2019. Over the last decade, growth stories were abandoned in favour of maximizing returns from existing operations. Current gold exploration budgets are 55% below peak levels. We understand this. The gold companies engaged in quite a lot of capital destruction primarily because of the sub-par nature of the assets that they were developing, but the industry depends on grassroots and early-stage exploration for significant discoveries if it's actually going to survive as relevant.

Over the past 10 years, only 29 major new deposits have been identified, containing 208 million ounces of gold, which represents only 8% of the gold discovered over the past 30 years. No major discoveries have been made in the past four years. Between location-location-location and ownership, possession being nine-tenths of the law, this is really where the story is.

If you go to the next slide, you then superimpose onto the industry's challenges what I have long held to be the gating factor for whether one wants to have an investment in a mining asset at all, and that is jurisdictional safety. Once again, for those of you who know me, you know that, as they say, I made my bones in places like Bolivia, South Africa, Zimbabwe, Congo. I was instrumental in the sale of Kibali to Barrick. I am not unfamiliar with jurisdiction. I'm a historian by background, I understand cycles. Those cycles took me away from the developing markets for a very simple reason: I truly believe that the name of the game has changed from seeking out assets that give you great leverage to an underlying theme, to seeking out those assets which give you great leverage to an underlying theme in a jurisdiction that will allow you to keep the fruits of the leverage.

Resource nationalism is rising. Budget deficits in the developing world are rising. The idea that one would be able to keep what you thought you had is akin to an eighth marriage - it's the victory of hope over experience. Simply put, it's not going to happen. Not all ounces are the same.

Look at these charts, and what you can see is that the best and highest rated ounces are those where you know that you're going to have certainty of ownership and ultimately, as a shareholder, certainty of transaction.

On Page 30, a lot of questions as to what is the ultimate objective for gold. My long-term target has been $3,000 to $5,000 - that was before the financial crisis of 2008-09 when gold had a $600 handle. That was before the uncharted waters that we're in with regard to COVID and modern monetary theory, which I referred to in our annual report as modern monetary theology. My target is still $3,000 to $5,000 simply because I do believe it can go significantly higher than that, but it's still go to get there. On its way, so there's no reason for me to stretch credulity.

If you look at some of the very interesting work done by Incrementum, which we highlight on Slide 30, you will notice that their probability-weighted peak is $4,800-ish. I think they're going to prove to be right. By the way, it's a very interesting report which they pulled out. I learned a few things.

Now, if you go to the next slide, if you believe as I do that gold is in a multi-decade bull market, then you can see the leverage that Donlin Gold provides to our shareholders. We take this up to $2,500 gold - I don't believe $2,500 will be a real number, but what you can see from the increase to Donlin Gold's NPV at NPV 5 and also NPV zero, is absolutely extraordinary leverage. Now, if you ask what we would be doing with NPV zero, that is where I believe most certainly greenfield projects with great exploration potential in North America are going to yield as we believe that, for reasons which Greg highlighted, the exploration potential at Donlin is second-to-none in North America. It's very clear to us that the blue sky associated with that, combined with the jurisdictional safety, is going to take the valuation matrices back to the lowest end of the range in terms of zero percent discount rates, because that's where we were before the Go Where the Gold Is mantra took hold in the 1990s when Newmont went to Yanacocha. That's what started the whole frontier spirit of the space.

I think it's poetic, unfortunate, but poetic that yesterday Peru, the home of Yanacocha, after having put the kibosh on the Minas Conga project of Newmont and Buenaventura, the owners of Yanacocha, pretty much said that Tia Maria is a no-go for Southern Peru copper. The country that started that whole frontier spirit has now gone socialist, but the truth is so have a lot of others.

Again, if you're in the right location, you will get the maximum fruits of the leverage that you seek from a gold bull market. Our preferred play, and if we didn't think that was the case, we'd sell it and pivot to something else, is Donlin because it has all the attributes that we're looking for.

On Slide 32, what you see is that we have a very strong coterie of those who feel very similarly to ourselves. Not only is Electrum, which is my family-owned business in which we also enjoy the support of several sovereign wealth funds, the largest shareholder in the company, but we're followed by Fidelity, Paulson, BlackRock, the Saudi Public Investment Fund, Van Eck, First Eagle, EXOR, Vanguard, Kopernik. This is all very, very smart money. They know that they're looking at the world the way that we are, and when they look at that, they see that NOVAGOLD is a must-own asset if you want to get octane in the space and get full value to leverage in North America.

I should say as well, we are extremely grateful to their fidelity - no pun intended, although let's mark that especially, but we are extremely grateful to the shareholders who have been with us for so long, not just Fidelity - John Paulson and BlackRock, and new shareholders who have joined us, like the Saudi Investment Fund. The people of First Eagle made NOVAGOLD their first development story in their portfolio - that was a huge, huge vote of confidence, as well as EXOR, the Agnelli family's vehicle adding us to their portfolio. We are grateful to all of you.

Once again, to wrap up on Slide 33, Donlin Gold is the definition of a Tier-One asset, but more than that, it's a Tier-One asset in a Tier-One jurisdiction. We don't have to explain what it's like to be working in Alaska because it really is considered to be one of the finest jurisdictions in the world today. But let's summarize the attributes that in the aggregate we consider make Donlin, for the benefit of our shareholders as well as those of Barrick, a unique story.

It starts with 39 million ounces of gold contained in the measured and indicated resource category. The grade at 2.25 grams is more than double the world average for a large-scale open pit. The exploration potential - well, those existing resources are contained within three kilometers of an eight-kilometer mineralized trend which itself is located on less than 5% of Donlin Gold's land position. Alaska, as I mentioned, is a premier mining jurisdiction with respect for socially and environmentally responsible mine development. Our partnerships are time tested both with our Native Corporation allies as well as our 50% joint venture owner, Barrick Gold.

The leverage speaks for itself. Our balance sheet with almost—well, over $170 million as of August 31st, and another $25 million due in 2023 from Newmont and no short-term debt, this is something we can boast about. We've got our key permits. The management and the Board have a successful track record of building and operating mines, and lastly once again, we have strong time-tested support from premier institutional investors who share our vision for building, one day when the time is right, the premier gold asset in the world today.

Thank you. I turn the chair back to the floor. Thank you.

Greg Lang:
Thank you, Operator. We will now open the line for questions.

Operator:
Thank you. We will now begin the question-and-answer session.

Our first question is from Lucas Pipes with B. Riley Securities. Please go ahead.

Matt Key:
Hi, good morning, everyone. This is actually Matt Key asking the question for Lucas today.

In your prepared comments, you provided some excellent color on the gold markets and the various drivers. Given the excellent supply-demand dynamics at play, the price action today feels extremely puzzling. We also have inflation read-ins pointing to structural issues while nominal rates have continued to lag. I would think this would be an ideal environment where gold can make new highs, and I was wondering if you could kind of square this, about why is gold price lagging the excellent fundamentals?

Thomas Kaplan:

Well first of all, as I actually began the presentation, it's the nature of gold that it will befuddle you. It will do what you least expect it to do. The good news is that one day, I do believe that we'll wake up and see gold up $50, $75 or $100, probably on no news. When the financial crisis came in '08 - '09, gold was $600, $700, and people were saying, this is such an incredible environment for gold, why can't it go up, why doesn't it go up? Well, one day it started to go up and reached a peak of almost $1,900. That's the way gold behaves. It makes sure to wash everyone out at the bottom. It is absolutely classic. What you are seeing today is a correction within what we look to be a new wave of the gold bull market. The first wave took us from the early 2000s to that $1,900 peak, we then had a correction down to the $1,050, $1,100 mark, we then had that next leg which we expect to be a 10-year leg, take us to the $2,000 area. We are within a correction. The next time it goes through $2,000, it is my belief - it's a forward-looking statement - that it will slice right through it, and those who sold at the bottom will be paralyzed lest they find themselves in a situation that they're scared that they will see another correction and get washed out.

The time to buy gold, the time to buy any currency and commodity, I would add, but gold is a currency, is when you have pessimism, when you are questioning the underlying fundamentals of your thesis. For all the reasons that I highlighted, the supply pressures, the demand pressures, all the fundamentals are there for gold when it's ready, and that could be at any moment, to begin the next leg of this long wave bull market, and I believe that that will take us to the $3,000 to $5,000 range.

I'm not saying this because I'm playing to my audience or talking my book. I act according to the way I feel, and my view is that the place to be is with gold and silver, and that's the way we've positioned ourselves. I have the freedom to be able to invest in any asset class I want, but when it comes to wealth preservation and also wealth creation, I believe that the great story of the coming years are the precious metals and that what we're seeing now is absolutely consistent with that overall view.

Matt Key:

Got it, thank you. That's very helpful. Just one more from me. I was wondering if you guys could remind us about the timing of the updated feasibility study. Do you see this as more of a new document or a continuation and update of the prior feasibility study, and what are some of the fundamental—what are some of the aspects of this new document that you're fundamentally re-thinking as you kind of draft the new study?

Thank you.

Greg Lang:
Sure, I'm happy to speak to that. You know, we approved additional funding to advance the project at our last Board meeting, and I think a little bit of context would be helpful for that.

At Donlin, our focus for many years has been twofold. We keep a lean staff at Donlin, so we've had robust community relations teams and permitting staff. In recent years with our drilling, we've largely relied on the expertise of the owner companies, primarily Barrick as we don't have any geologists, and now that we're advancing the project, one of the first things we need to do is gear up our staffing levels. We have—so we're going to be adding geologists, engineers, and so on, and just laying the foundation for when the owners ultimately make a decision to go forward. I think that's something we'll be not in a position to comment on today, but we'll be guiding that as we develop our work programs for the new year.

Matt Key:
Got it, very helpful. Thanks for taking my questions, and best of luck moving forward.

Greg Lang:
Thank you.

Thomas Kaplan:
Thank you. Please give our best to Lucas.

Matt Key:
I will do that.

Operator:
Our next question is from Trevor Turnbull with Scotiabank. Please go ahead.

Trevor Turnbull:

Yes, thank you. Greg, I just wanted to follow up also on the potential to do a new study. Obviously, you're going to be looking at a number of aspects to the project in terms of the scale and things of that nature, and obviously incorporate all the new geologic information into your modeling and how that may impact the mine—again, scale and mine scheduling.

But one of the other things that has really seemed to have changed very rapidly in the last couple years, and certainly since the timing of the last study, is the emphasis on ESG, and it's not something that you've at all neglected in terms of your focus, but at the same time companies are becoming very, very focused on minimizing their footprints and their impacts. I just wondered what types of ESG things might you be focusing on in the new feasibility study in terms of how investors are definitely focusing on that more than, say, they were 10 years ago when the study was originally conceived.

Greg Lang:

Okay, well Trevor, let me break that down into a couple pieces for you, and thank you - I appreciate that you recognize that community involvement has been—that's been key for the Donlin Project for over 20 years and I think it's—and will continue to be key to our future.

Yes, I think we're very fortunate that we share those values with our partner, Barrick, and Donlin frankly benefits a lot from the work that they've already done. Some of the work that Barrick has talked about, from climate change initiatives and other aspects of minimizing the environmental impact of the mine, we're very mindful of that and we'll certainly incorporate it into the project that we ultimately decide to take forward.

Trevor Turnbull:

Yes, I just—I was wondering, you've already looked at different forms of energy in terms of the power, and I think that probably equates well with some of the ESG initiatives. The scale of the project obviously involves a lot of other environmental aspects, one of which is water management. I wondered, is that something that you're looking at as well in terms of ways to perhaps have less water to deal with over the course of the mine? Are there things that you can do in terms of the design that would address that, or is that unfortunately just an artifact of the size of the operation?

Greg Lang:
No, I think, Trevor, water management, air quality, all aspects of the project are being reviewed really as we speak. I think particularly where this has been a benefit to us is Barrick comes into the project now with new people, a new set of eyes, and we've just really gone back through every aspect of the project - water management, tailing deposition, air quality management, mercury management, so every aspect of the project we've been steadily working our way through it to make sure that we are incorporating the best available technology and the learnings of our partner. We're obviously not an operating company, so that's an area that we appreciate having people that are pretty well versed in these things on the other side of the table.

Trevor Turnbull:
Yes, and I guess that's the benefit too of time, is that we've seen so many new technologies emerge and efficiencies in new technologies emerge since the last time this was done, so that there's a lot more to avail yourselves of than before.

Certainly, look forward to seeing when you make the decisions on the study and what it brings forth. Thank you.

Greg Lang:
Thank you, Trevor.

Operator:
Our next question is from John Tumazos with John Tumazos Very Independent Research. Please go ahead.

John Tumazos:
Thank you and congratulations on all the progress.

As we get closer and closer to the project actually being permitted and ready to break ground, financing I guess is closer. Five, seven, eight years ago when I would write a report on Barrick, I would just make a simple assumption that you sold Barrick 25% of the 50%, and that paid for the rest of your obligations, and you essentially had 25% of the project free, but you're actually in a better place now holding as much cash as you hold. Thinking of all the different ways you might finance your share of the project consumption—project capital, selling a few ownership points, selling a revenue royalty, selling a stream, selling equity, project debt in the JV or direct debt, could you rank which way you think you—which of those you like better or rule out any of those you wouldn't consider as we try to build out a financial model?

Greg Lang:
Yes, that's an interesting and somewhat philosophical question, so I think I will lateral that one to our Chairman.

Thomas Kaplan:
Thank you very much, John. I'm not saying this to flatter you, but I love the question because it allows me to be able to expand a little bit philosophically, and I think that's extremely important.

We have no intention of selling one percentage point, or any fraction thereof, of the project, and this should come as a great relief to our shareholders, not that anyone who has ever met me, I think, thinks that we would ever have done otherwise. If it's advantageous to look at other kinds of royalties and streaming, we'll look at it; but I find that that's probably not the area or the road that we would go down, because if you're really a bull market participant, you want to be able to have uncapped and full exposure to the bull market.

Now remember, we've got a few attributes that most mining assets don't have which will assist us in the financing. First of all, it has a mine life already of decades, and we believe that the resource is much, much bigger than what has already been identified. We can see it. Put aside the fact that it's an entire property package in which only 5% has really been scratched, and on that 5% we already have 35, 45 million ounces depending on how you want to look at it. We can see just in the immediate vicinity and to depth the potential to add tens of millions of more ounces. We see that. We're not talking about the rest of the eight kilometers of strike.

But mine life gives you advantages in being able to finance that are very different. If you've got an asset of a few million ounces, which is actually—as you well know, that's pretty meaningful in today's market, we won't look at it because it's too small. But if you've got an asset of X-millions of ounces with a mine life of 9, 10, 12 years, that's not bad, that's normal. We're talking about something that could be producing potentially a million ounces a year for decades. There's not very much out there that's like that. The only comparable that we've been able to find is the Sukhoi Log project of Polyus in Siberia, and not surprisingly it's on the other side of the Bering Strait from where we are. But again, it's in Russia, and I have no doubt that if gold is engaged in a bull market and there's economic turbulence in Russia, that gold would be declared to be a strategic asset and that's the end of that. I think that in most jurisdictions, gold will be considered to be a strategic asset and nationalized.

But if you've got an asset that can go on for decades, why not project finance it? Why not say, you know what? It's not a 9-, 10-, 12-year story, we can get project financing for it. We financed a project in Mexico, the Electrum Group, and we got 70-80% project financing, and that's without having had Barrick as a Tier-One partner. If we project finance it, then you can say to yourself, well, who's interested in that kind of thing?

The Electrum Group is my family's holding company. All we do is mining. The only outside partners that we have are sovereign wealth funds from Abu Dhabi, Kuwait, and as a large shareholder in NOVAGOLD as you've noticed, the Public Investment Fund of Saudi Arabia. In many respects, I consider this my home region, and it's not for economic purposes, it's for a lot of other reasons of longstanding relationships. Suffice to say that the interest in Donlin, and I can tell you the sovereign wealth funds have been out there to visit it, so they know this asset extremely well, when the time comes to finance this asset, we have a lot of friends, and not just those that we already are in business with and who have known us and who have seen us fulfill all our promises. But we have a lot of people who would love to be able to participate in the financing of the premier gold mine in the premier jurisdiction, and so I don't think that we need to look at any mechanisms that would require us having to, in any way, dilute our stake in the asset.

Also, there's another factor here…

John Tumazos:
In today's market, what do you think would be the interest rate for a project done on Donlin, or a range?

Thomas Kaplan:
Truthfully, if I have conviction on something, I think it's pretty clear, I'm pretty passionate about it. I don't know the answer to that question because it's a little bit too early. Once we're done with the feasibility study and if we see that the price of gold is right, and very importantly our share price is right, then the shareholders of Barrick and of NOVAGOLD will look at moving forward.

We've always considered that at a certain point, the shares become more valuable than the gold itself, and we think that's the case here. I'm not avoiding the question, I'm just not simply—I don't want to be flippant with you, but I do believe very strongly that we've already identified those who would love to put significant capital to work in financing at least our share of the project when the time comes. When Barrick is ready to move, we'll be ready to move. When we're both ready to move, there are a number of partners who want to participate in the gold space.

But John, there's one other aspect to this that you're going to appreciate, and why we would never sell a share. We're not neophytes to the mining industry. If you believe, as we do, that Donlin is an asset in its attributes, including the jurisdictional part, is extraordinary to the point of being unique, the last thing that you want to do is to dilute the 50% interest. The 50% interest we have with Barrick is absolutely pari-passu. They do not have one single right more than we do. Now, the importance of that is that it keeps everybody honest, but if you're a shareholder of the company and you know damn well that there is going to be a lot of M&A interest in half of what we think could be the new Nevada, you want to make sure that you preserve the absolute integrity of the value proposition. There is no mining company in the world which would find itself in any way feeling diminished or compromised by having a 50/50 joint venture relationship with Barrick. 51:49, it changes the dynamic. I'd love to buy more percentage points from Barrick, but I have zero doubt that we will be able to come up with our part of the money, and my job is to make sure that we do that with minimal dilution to the shareholders.

If you look back at the last 10 years, I think that you'll see we've kept every promise. I have massive conviction about our ability to fulfill that. If gold prices are higher, you're going to see all kinds of dislocation in the developing world. All the focus will be on safe jurisdictions, and you're seeing that, by the way, within the last week.

To us, Donlin is catnip. It's a pure play on the best exploration and development story in a safe jurisdiction. You can't ask for more than that. But having that 50:50 means that anyone else, should they ever want to step into our shoes, they will know that they are not in any way subordinate to anybody, and as you can imagine, there will come a time when big premia will be paid for Tier-One premium assets, and we want to do everything that we can to ensure that we've done nothing to diminish that prospect.

Does that sound to right to you? I'm perfectly happy to continue, because I'm actually grateful that you asked the question because I think it's important to know that we're very confident in our ability to finance when the price is right that we want to go ahead, and our strategy will be to minimize the dilution. My personal belief is that by the time we're really looking at financing, the price of NOVAGOLD will have multiplied. I think the share price of Barrick hopefully will be doing well. But we've got what people need - a pure play on a great asset, giving us leverage in a place where you can keep it, and I don't think there's any lack of financing for that. As a consequence, I think we'll be able to finance on favourable terms, but also with really, really great investors. That's also important. We will not have to scramble. We'll be making a few telephone calls and I think you'd see a consortium for project financing emerge rather quickly.

John Tumazos:
So, a company called SilverCrest with a small but very low-cost project in Mexico raised about $100 million to build their project a few months ago around 10%, including fees. If we were to sort of work on the assumption, say, you're bigger and you got better friends, and your project were 8%, then we would be looking at the rate of return in the feasibility study at the assumed gold price that's often conservative, so then from a risk standpoint should we be comparing, say, something like an 8% cost of debt to a mid-teens rate of return and just hoping that the construction doesn't blow its brains out and miss the CapEx and OpEx by more than 10% or 20%?

Thomas Kaplan:
I believe that we'll be able to do better than that.

John Tumazos:
Excuse me - I think in term of building financial models and just trying to simulate returns. Excuse me for being very boring with these mundane questions.

Thomas Kaplan:
Well, no, they're not mundane. When the time is right, they will be the key questions. We're a little bit far away from that, so I would just ask your indulgence in letting us play this out a little bit longer, but I'm significantly more sanguine about what the cost of capital would be if we're dealing with the scenarios that we anticipate for wanting to go forward - higher gold prices, higher equity prices.

You know, we have a strategy. We've never, never taken the attitude, we want to build at any price. I've never understood that model and, candidly, those who build at the lower end of the range in the gold market I think are missing the point. Sometimes people will say, well, you risk not capturing the move, if gold moves up before you're in production, but that's not actually true. That's true in some industries, it's not actually true in the precious metals certainly, and also in some of the base metals. If you've got a long life mine, you can dramatically reduce your cost of capital, debt as well as equity, if you're willing to sell forward a little percentage of the story. You can't do that with a short life mine, but a long life mine with huge exploration potential, you know as well as I do, if you're willing to sell forward a little bit of gold, then you'll get a much lower cost of capital.

Now game that out. Would I be willing to sell forward gold at these levels? No, but I also wouldn't want to build at these levels. If I'm a gold bull and all my shareholders share our belief that what we want is the optionality to a higher gold price, once we've reached the point where there's been a construction decision and we can go into the financing mode, from that point on the gold price, even before we go into construction, becomes extremely important because as part of the financing, if we sell forward some gold at, let's just say $2,000, whatever, it changes the entire model that you're working on, because right now you're working on a theoretical model of the gold price, everyone has to. But if I'm telling you, wait a minute - let's have this discussion, I'm not saying that this is a discussion that we're having now, but I'm just using reason and logic. If we sold forward some gold at $2,200, the $1,200 benchmark for a project rate of return is actually no longer applicable. It's a moot point because you have to factor in that which was sold at a higher level.

Now, let me make this extremely clear - we may not choose to sell forward at all. We may be in a position, which is I think very likely, that when gold prices are higher, our equity will be in the $20s, the $30s, what have you, and we'll be able to do our equity component of a highly in-demand piece of paper for project financing. But, if we add selling forward a few percentage points of gold for X-period of time with the ability to buy it back, and all of the bells and whistles that you can see, the cost of capital, the cost of the interest rate, goes down dramatically.

Our attitude is whatever we can do to mitigate share dilution, we should do because we're not dealing with a short mine life, we're dealing with something that is already measured in decades and could be measured for many, many, many more decades, so it's incumbent upon us to treat the shares as even more valuable than the metals, but just bear with us. The good news is we've got the kind of asset that can allow us to have this kind of open conversation with people such are yourself, and I'm perfectly willing - so is Greg - if you've got ideas like you're doing now, please. One of the best attributes of having smart shareholders is that you're not only—when you meet them, you're not only telling them what you're doing, you're saying, is there anything that you think we can be doing better, and certainly we've got a lot of smart financial talent behind some of the largest shareholdings in the Company.

Feel free to reach out at any time and share ideas. We're nothing if not open-minded. So long as it's going to give the highest return to shareholders and we're not doing anything to diminish the value of the asset so that it can achieve the best valuation, if it is the object of an M&A story, then we're doing the right thing for shareholders. I think over the last 10 years, I hope you would agree that every promise we've ever made, we've fulfilled, and we haven't cut any corners along the way to do that.

John Tumazos:
Thank you.

Thomas Kaplan:
Thank you, John, and thank you for the questions. I'm grateful in truth, and no - we didn't set this up!

Operator:
Our next question is from David Lasensky, a private investor. Please go ahead.

David Lasensky:

Good morning. I just wanted to reflect back to the first caller, Lucas, the gentlemen that spoke on behalf of Lucas, who wasn't present. It's just about the fact that the gold price was flat and it's not reacting or behaving like he thought it should or people thought it should. I think, Tom and Greg, I think you have to use discretion on how you answer questions like that. As an American citizen, I just want to say it's the bullion banks that suppress the price of gold on behalf of the Federal Reserve, and that takes guts to say but nobody says it. That's what I firmly believe, and I think, Tom, you're 100% right - one day, you're going to wake up and gold is going to be up $500, just like Bitcoin's up $3,000 overnight. But the Fed doesn't want that, and they don't want that because everybody's going to say, what's wrong?

As you can see, I'm very passionate about this, and that's really all I had to say. Thank you.

Greg Lang:

Thank you, David.

Thomas Kaplan:

Thank you, David.

Operator:

This concludes the question-and-answer session. I would now like to turn the conference back over to Greg Lang for any closing remarks.

Greg Lang:

Well, everyone, thank you for joining our call this morning. It was a, yes, lively and at times philosophical discussion, and we look forward to updating everyone with our releases on the ongoing drill program. Thank you.

Operator:

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